

# Instructions for Form 3115

(Rev. December 2022)



Department of the Treasury  
Internal Revenue Service

## Application for Change in Accounting Method

Section references are to the Internal Revenue Code unless otherwise noted.



*All references to Rev. Proc. 2015-13 are to Rev. Proc. 2015-13, 2015-5 I.R.B. 419 (as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2021-34, 2021-35 I.R.B. 337; Rev. Proc. 2021-26, 2021-22 I.R.B. 116; by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and section 17.02 of Rev. Proc. 2016-1, 2016-1 I.R.B. 1), or any successor.*

*All references to Rev. Proc. 2022-14 and the List of Automatic Changes are to Rev. Proc. 2022-14, 2022-7 I.R.B. 502 (as modified by Rev. Proc. 2022-23, 2022-18 I.R.B. 105 and Rev. Proc. 2023-11, 2023-3 I.R.B. 417) or any successor.*

*All references to Rev. Proc. 2023-1 are to Rev. Proc. 2023-1, 2023-1 I.R.B. 1, or any successor (updated annually).*

## Future Developments

For the latest information about developments related to Form 3115 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form3115](https://www.irs.gov/Form3115).

## What's New

**Changes related to the deferral method for advance payments, cost offset methods, and/or the applicable financial statement income inclusion rule.** The instructions for Schedule B have been updated to include additional information about accounting method changes relating to the deferral method for advance payments, cost offset methods, and methods to conform to the applicable financial statement (AFS) income inclusion rule under section 451.

**Research and experimental expenditures.** Effective for specified research or experimental expenditures paid or incurred in tax years beginning after 2021, no deduction is allowed for such expenditures. Instead, you must capitalize and amortize these amounts over a 5-year period for amounts attributable to domestic research and over a 15-year period for amounts attributable to foreign research. See DCN 265 and Rev. Proc. 2023-11, 2023-3 I.R.B. 417.

## General Instructions

### Purpose of Form

File Form 3115 to request a change in either an overall accounting method or the accounting treatment of any item.

### Method Change Procedures



*When filing Form 3115, you must determine if the IRS has issued any new published guidance which includes revenue procedures, revenue rulings, notices, regulations, or other relevant guidance in the Internal Revenue Bulletin (I.R.B.) For the latest information, go to IRS.gov.*

For general application procedures on requesting accounting method changes, see Rev. Proc. 2015-13. Rev. Proc. 2015-13 provides procedures for both automatic and non-automatic accounting method changes.

**Automatic change procedures.** Unless otherwise provided in published guidance, you **must** file under the automatic change procedures if you are eligible to request consent to make an accounting method change under the automatic change procedures for the requested year of change. See the instructions for [Part I Information for Automatic Change Request](#), later, and the List of Automatic Changes in Rev. Proc. 2022-14.

No user fee is required for a Form 3115 filed under the automatic change procedures. An applicant that timely files and complies with the automatic change procedures is granted consent to change its accounting method, subject to review by the IRS National Office and operating division director. If it is reviewed by the IRS, you will be notified if information in addition to that requested on Form 3115 is required or if your request is denied. Ordinarily, you are required to file a separate Form 3115 for each accounting method change. However, in some cases, you are required or permitted to file a single Form 3115 for particular concurrent accounting method changes. See section 6.03(1)(b) of Rev. Proc. 2015-13 for more information.

**Note.** The List of DCNs (Designated automatic accounting method change numbers) at the end of these instructions is a list of many accounting method changes and is presented for informational purposes only and subject to the most recently issued revenue procedures.



*You may qualify for a reduced Form 3115 filing requirement for certain DCNs. A reduced Form 3115 filing requirement involves completing only certain lines and schedules of Form 3115. For qualifying changes and filing requirements, see Rev. Proc. 2022-14. For example, qualified small taxpayers are eligible for a reduced Form 3115 filing requirement for DCNs 7, 8, 21, 88, 89, 107, 121, 145, 157, 184-193, 198, 199, 200, 205, 206, 207, and 222.*

**Non-automatic change procedures.** If you do not qualify to file under the automatic change procedures for the requested accounting method change for the requested year of change, you may be able to file under the non-automatic change procedures. See [Non-automatic change-scope and eligibility rules](#), under Part III, later. If the requested change is approved by the IRS National Office, the filer will receive a letter ruling on the requested change. File a separate Form 3115 for each unrelated item or submethod that is being changed. A user fee is required. See the instructions for Part III for more information.

## Who Must File

The **filer** is the entity or person required to file Form 3115, whether on its own behalf or on behalf of another entity. An **applicant** is an entity, a person, or a separate and distinct trade or business of an entity or a person (for purposes of Regulations section 1.446-1(d)), whose accounting method is being changed.

For a consolidated group of corporations, the common parent corporation must file Form 3115 for an accounting method change for itself and for any member of the consolidated group. For example, the common parent corporation of a consolidated group is the filer when requesting an accounting method change for another member of that consolidated group (or a separate and distinct trade or business of that member), and the other

member (or trade or business) on whose behalf Form 3115 is filed is the applicant.

For information on the difference between a filer and an applicant, see [Name\(s\) and Signature\(s\)](#), later.

For information on a controlled foreign corporation (CFC) or 10/50 corporation without a U.S. trade or business, see section 6.02(6) of Rev. Proc. 2015-13.

Generally, a filer must file a separate Form 3115 for each applicant seeking consent to change an accounting method. A separate Form 3115 and user fee (for non-automatic change requests) must be submitted for each applicant and each separate trade or business of an applicant, including a qualified subchapter S subsidiary (QSub) or a single-member limited liability company (LLC), requesting an accounting method change. See section 9.02 of Rev. Proc. 2023-1.

However, identical accounting method changes for two or more of the following in any combination may be included in a single Form 3115.

1. Entities with a common sponsor.
2. Members of a consolidated group;
3. Separate and distinct trades or businesses (for purposes of Regulations section 1.446-1(d)) of that entity or member(s) of a consolidated group. Separate and distinct trades or businesses include QSubs and single-member LLCs;
4. Partnerships that are wholly owned within a consolidated group; and
5. CFCs and 10/50 corporations that do not engage in a trade or business within the United States where (i) all controlling domestic shareholders (as provided in Regulations section 1.964-1(c)(5)) of the CFCs and of the 10/50 corporations, as applicable, are members of a consolidated group; or (ii) the taxpayer is the sole controlling domestic shareholder of the CFCs or of the 10/50 corporations.


For information on what is an identical accounting method change, see section 15.07(4) of Rev. Proc. 2023-1.

## When and Where To File

**Automatic change requests.** Except if instructed differently, you must file Form 3115 under the automatic change procedures in duplicate as follows.

- Attach the **original** Form 3115 to the filer's timely filed (including extensions) federal income tax return for the year of change. The original Form 3115 attachment does not need to be signed.
- File a **copy** of the **signed** Form 3115 (duplicate copy) with the IRS National Office at the address provided in the [Address Chart for Form 3115](#), later, no earlier than the first day of the year of change and no later than the date the original is filed with the federal income tax return for the year of change. This signed Form 3115 may be a photocopy. For more on the signature requirement, see [Name\(s\) and Signature\(s\)](#), later. Alternatively, the duplicate copy of the signed Form 3115 may be submitted by fax.

The IRS does not send acknowledgements of receipt for automatic change requests.


 **TIP** For filing procedures relating to automatic change requests for certain foreign corporations and foreign partnerships, see section 6.03(1)(a)(ii) and (iii) of Rev. Proc. 2015-13.

**Non-automatic change requests.** You must file Form 3115 under the non-automatic change procedures during the tax year for which the change is requested, unless otherwise provided by published guidance. See section 6.03(2) of Rev. Proc. 2015-13.

File Form 3115 with the IRS National Office at the address listed in the [Address Chart for Form 3115](#) below. Alternatively, Form 3115 may be submitted by secure electronic facsimile or encrypted electronic mail. File Form 3115 as early as possible during the year of change to provide adequate time for the IRS to respond prior to the due date of the filer's return for the year of change.

The IRS normally sends an acknowledgment of receipt within 60 days after receiving a Form 3115 filed under the non-automatic change procedures. If the filer does not receive an acknowledgment of receipt for a non-automatic change request within 60 days, the filer can inquire to:

Internal Revenue Service  
Control Clerk  
CC:IT&A, Room 4512  
1111 Constitution Ave. NW  
Washington, DC 20224

 **CAUTION** *In specified circumstances, you are required to send **additional copies** of Form 3115 to another IRS address. For example, another copy of Form 3115 would be sent when an applicant is under examination, before an Appeals office, or before a federal court, or is a certain foreign corporation or certain foreign partnership. See section 6.03(3) of Rev. Proc. 2015-13 for more information. Also see the instructions for Part II, lines 6 and 8, later.*

## Address Chart for Form 3115

File Form 3115 at the applicable IRS address listed below.

	<b>A non-automatic change request</b>	<b>An automatic change request (Form 3115 copy)</b>
Delivery by mail	Internal Revenue Service Attn: CC:PA:LPD:TSS P.O. Box 7604 Benjamin Franklin Station Washington, DC 20044	Internal Revenue Service Ogden, UT 84201 M/S 6111
Delivery by private delivery service	Internal Revenue Service Attn: CC:PA:LPD:TSS Room 5336 1111 Constitution Ave. NW Washington, DC 20224	Internal Revenue Service 1973 N. Rulon White Blvd. Ogden, UT 84201 Attn: M/S 6111
Delivery by facsimile	877-773-4950 (Secure)	844-249-8134
Delivery by encrypted electronic mail	Userfee@irsounsel.treas.gov	N/A

## Late Application

In general, a filer that fails to timely file a Form 3115 will not be granted an extension of time to file except in unusual and compelling circumstances. See section 6.03(4)(b) of Rev. Proc. 2015-13 and Regulations section 301.9100-3 for the standards that must be met. For information on the period of limitations, see section 5.03(2) of Rev. Proc. 2023-1.

However, an automatic 6-month extension from the due date (excluding any extension) of the federal income tax return to file Form 3115 may be available for automatic change requests. For details, see section 6.03(4)(a) of Rev. Proc. 2015-13, and Regulations section 301.9100-2.

An applicant submitting a ruling request for an extension of time to file Form 3115 must pay a user fee for its extension request and, in the case of a non-automatic change request, a separate user fee for its accounting method change request. For the schedule of user fees, see section (A)(3)(b), (A)(4), and (A)(5)(d) in Appendix A of Rev. Proc. 2023-1.

## Useful Items

Refer to the following items for more information on changing an accounting method.

**Rev. Proc. 2023-1.** See [Rev. Proc. 2023-1](#). This revenue procedure provides specific and additional procedures for requesting an accounting method change, including the user fee for non-automatic method of change requests.

**Rev. Proc. 2015-13.** See [Rev. Proc. 2015-13](#). This revenue procedure provides the automatic and non-automatic method change procedures to obtain consent of the IRS to change an accounting method.

**Rev. Proc. 2022-14.** See [Rev. Proc. 2022-14](#). This revenue procedure contains a list of accounting method changes that may be eligible to file under the automatic method change procedures.

**Inflation-adjusted amount.** Certain automatic accounting method changes require that the applicant's average annual gross receipts for the 3 preceding tax years be at or less than the "inflation-adjusted amount" (set forth in an annual revenue procedure) See, for example, DCN 22. For years beginning in 2022, the inflation adjusted amount is \$27,000,000. See [Rev. Proc. 2021-45](#).

**Pub. 538, Accounting Periods and Methods.** This publication provides general information on accounting methods.

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## Specific Instructions

### Name(s) and Signature(s)

Enter the name of the filer on the first line of page 1 of Form 3115.

In general, the filer of Form 3115 is the applicant. However, in circumstances where Form 3115 is filed on behalf of the applicant, enter the filer's name and identification number on the first line of Form 3115 and enter the applicant's name and identification number on the fourth line. Receivers, trustees, or assignees must sign any Form 3115 they are required to file.

If Form 3115 is filed for multiple (i) applicants in a consolidated group of corporations, (ii) applicants with a common sponsor, (iii) CFCs, (iv) wholly owned partnerships within a consolidated group, and/or (v) separate and distinct trades or businesses (including QSubs or single-member LLCs), attach a schedule listing each applicant and its identification number (where applicable). This schedule may be combined with the information requested for Part III, line 24a (regarding the user fee), and Part IV (section 481(a) adjustment). If multiple names and signatures are required (for example, in the case of CFCs—see instructions below), attach a schedule labeled "SIGNATURE ATTACHMENT" to Form 3115, signed under penalties of perjury using the same language as in the declaration on page 1 of Form 3115.

**Individuals.** If Form 3115 is filed for a couple who file a joint income tax return, enter the names of both spouses on the first line and the signatures of both spouses on the signature line.

**Partnerships.** Enter the name of the partnership on the first line of Form 3115. In the signature section, include the signature of one of the general partners or LLC members who has personal knowledge of the facts and who is authorized to sign. Enter that person's name and official title in the space provided. If the authorized partner is a member of a consolidated group, then an authorized officer of the common parent corporation with personal knowledge of the facts must sign.

**Non-consolidated corporations, personal service corporations, S corporations, and cooperatives.** Enter the name of the filer on the first line of Form 3115. In the signature section, enter the signature of the officer who has personal knowledge of the facts and authority to bind the filer in the matter. Enter that officer's name and official title in the space provided.

**Consolidated group of corporations.** Enter the name of the common parent corporation on the first line of Form 3115. Also enter the name(s) of the applicant(s) on the fourth line if a member of the consolidated group other than, or in addition to, the parent corporation is requesting an accounting method change. In the signature section, enter the signature of the officer of the common parent corporation who has personal knowledge of the facts and authority to bind the common parent corporation in the matter, and that officer's name and official title in the space provided.

**Multiple entities with a common sponsor.** Enter the name of the common sponsor on the first line of Form 3115. Enter on the fourth line the name of each entity with the common sponsor that is requesting an accounting method change. In the signature section, enter the signature of the officer who has personal knowledge of the facts and authority to bind the common sponsor and the applicants with that common sponsor in the matter, and that officer's name and official title in the space provided.

**Separate and distinct trade or business of an entity.** Enter the name of the entity (or common parent corporation if the entity is a member of a consolidated group) on the first line of Form 3115. Also enter the name of the separate and distinct trade or business requesting an accounting method change on the fourth line. In the signature section, enter the signature of the individual who has personal knowledge of the facts and authority to bind the separate and distinct trade or business of the entity in the matter, and that person's name and official title in the space provided.

**CFC or 10/50 corporation.** For a CFC or 10/50 corporation with a U.S. trade or business, enter the name of the designated (controlling domestic) shareholder that retains the jointly executed consent as provided for in Regulations section 1.964-1(c)(3)(ii) (or, if the designated shareholder is a member of a consolidated group, the common parent corporation) on the first line of Form 3115. Enter the name of the CFC or 10/50 corporation on the fourth line of Form 3115. In addition, a Form 3115 filed on behalf of the CFC or 10/50 corporation by its controlling domestic shareholder(s) (or the common parent) must be signed by an authorized officer of the designated (controlling domestic) shareholder (or the common parent). If there is more than one shareholder, the statement described in Regulations section 1.964-1(c)(3)(ii) must be attached to the application. Also, the controlling domestic shareholder(s) must provide the written notice required by Regulations section 1.964-1(c)(3)(iii).

**Estates or trusts.** Enter the name of the estate or trust on the first line of Form 3115. In the signature section, enter the signature of the fiduciary, personal representative, executor, administrator, etc., who has personal knowledge of the facts and legal authority to bind the estate or trust in the matter, and that person's official title in the space provided.

**Exempt organizations.** Enter the name of the organization on the first line of Form 3115. In the signature section, enter the signature of a principal officer or other person who has personal knowledge of the facts and authority to bind the exempt organization in the matter, and that person's name and official title in the space provided.

**Preparer (other than filer/applicant).** If the individual preparing Form 3115 is not the filer or applicant, the preparer



must also sign, and include the firm's name, where applicable. Generally, for both automatic and non-automatic changes, the preparer (if not the filer or applicant) must sign the original and copies of Form 3115. If Form 3115 is *e-filed*, the preparer need not sign the original *e-filed* Form 3115 but must still complete the preparer information and, if applicable, must sign the duplicate automatic Form 3115 copy.

## Identification Number

Enter the filer's taxpayer identification number on the first line of Form 3115 as follows.

- Individuals enter their social security number (SSN). For a resident or nonresident alien, enter an individual taxpayer identification number (ITIN). If Form 3115 is for a couple who file a joint return, enter the identification numbers of both spouses.
- All others enter the employer identification number (EIN).
- If the filer is the common parent corporation of a consolidated group of corporations or a common sponsor of multiple entities, enter the EIN of the common parent or common sponsor on the first line of Form 3115. If a member of a consolidated group other than, or in addition to, the common parent, or if an entity with a common parent, or if an entity with a common sponsor is requesting an accounting method change, enter the EIN of the applicant on the fourth line.
- If the common sponsor is filing Form 3115 on behalf of multiple applicants with that common sponsor, or if the common parent is filing Form 3115 on behalf of multiple applicants in a consolidated group of corporations, multiple CFCs or 10/50 corporations, or multiple and distinct trades or businesses of a member (including QSubs or single-member LLCs), attach a schedule listing each applicant and its identification number (if applicable).
- If the applicant is a foreign entity that is not otherwise required to have or obtain an EIN, enter "Not applicable" in the space provided for the identifying number.

## Principal Business Activity Code

If the filer is a business, enter the 6-digit principal business activity (PBA) code of the filer. The principal business activity of the filer is the activity generating the largest percentage of its total receipts. See the instructions for the filer's income tax return for the filer's PBA code and definition of total receipts.

## Address

Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the filer has a P.O. box, show the box number instead of the street address.

## Year of Change

The year of change is the first tax year the applicant uses the proposed accounting method, even if no affected items are taken into account for that year. Each applicant (and filer, if also an applicant) must list its respective year of change.

**Example.** A calendar year taxpayer that has consistently capitalized certain building repair costs from 2015 to 2020 files a Form 3115 to change its method of accounting for building repair costs to begin deducting these repair costs in 2021. The year of change is calendar year 2021. Each applicant (and filer, if also an applicant) must list its respective year of change.

## Contact Person

The contact person must be an individual authorized to sign Form 3115, or the filer's authorized representative. If this person is someone other than an individual authorized to sign Form 3115, you must attach Form 2848, Power of Attorney and Declaration of Representative.

## Form 2848

Authorization to (1) represent the filer before the IRS, (2) receive a copy of the requested letter ruling, or (3) perform any other act(s) must be properly reflected on Form 2848. For further details for an authorized representative and a power of attorney, see section 9.03(8) and (9) of Rev. Proc. 2023-1.

A Form 2848 must be attached to Form 3115 in order for the IRS to discuss a Form 3115 with the filer's representative, even if the filer's representative prepared and/or signed the Form 3115.



*If the filer intends to have the authorized representative receive copies of correspondences regarding its Form 3115, it must check the appropriate box on Form 2848.*

## Fax Number for Option To Receive Correspondence by Fax or Electronic Facsimile

Check the box to indicate whether the filer wants to receive, or wants its authorized representative to receive, a copy of correspondence regarding its Form 3115 (for example, additional information letters or the letter ruling) by fax or electronic facsimile. If the filer answered yes, the filer must attach a statement indicating the applicant's intention to request to correspond by fax or electronic facsimile and include the contact person's fax number. The listed person(s) must be either authorized to sign the Form 3115 or an authorized representative of the filer that is included on Form 2848. For further details on the fax procedures, see section 9.04(3) of Rev. Proc. 2023-1.

## Option To Receive Correspondence by Encrypted Email Attachment

A filer that wants to receive, or wants its authorized representative to receive, correspondence regarding its Form 3115 (for example, additional information letters or the letter ruling) by encrypted email attachment must attach to Form 3115 a statement requesting the service. The request must specify which email encryption method is to be used and, if the taxpayer has not already provided the appropriate memorandums of understanding (MOUs) to use encrypted email attachments, must include those MOUs. For acceptable email encryption methods and procedures, see section 9.05(3) of Rev. Proc. 2023-1.

## Type of Accounting Method Change Requested

Check the appropriate box on Form 3115 to indicate the type of change being requested.

- **Depreciation or amortization.** Check this box for a change in (1) depreciation or amortization (for example, the depreciation method or recovery period); (2) the treatment of salvage proceeds or costs of removal; (3) the method of accounting for dispositions of depreciable property; or (4) the treatment of depreciable property from a single asset account to a multiple asset account (pooling), or vice versa.
- **Financial products and/or financial activities of financial institutions.** Check this box for a change in the treatment of a financial product (for example, accounting for debt instruments, derivatives, mark-to-market accounting), or in the financial activities of a financial institution (for example, a lending institution, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit).
- **Other.** For non-automatic change requests, check this box if neither of the above boxes applies to the requested change. In the space provided, enter a short description of the change and the most specific applicable Code section(s) for the requested change (for example, change within section 263A costs; deduction of warranty expenses, section 461; or change to the

**Table A: Parts To Complete on Form 3115 for Accounting Method Changes**

Information to be completed for automatic and non-automatic change requests

	Part I	Part II	Part III	Part IV
Automatic Change	X	X		X
Non-Automatic Change		X	X	X

completed contract method for long-term contracts, section 460).

For automatic change requests, this informational requirement is satisfied by properly completing Part I, line 1, of Form 3115.

As noted on Form 3115, the filer must provide all information relevant to the requested accounting method change. All relevant information includes all information requested on Form 3115, these instructions, and any other relevant information, even if not specifically identified on Form 3115 or in these instructions. Table A illustrates, for automatic and non-automatic changes, the Parts of Form 3115 that must be completed. Table B illustrates the Schedule(s) to be completed for common method changes.

**Part I—Information for Automatic Change Request**

**Automatic Changes—Scope and Eligibility Rules**

**Line 1a.** Enter the DCN on line 1a. These numbers may be found in the List of DCNs at the end of the instructions, the List of Automatic Changes, or in subsequently published guidance. In general, enter a number for only one change. However, the numbers for two or more changes may be entered on line 1a if specifically permitted in applicable published guidance to file a single Form 3115 for particular concurrent accounting method changes. See section 6.03(1)(b) of Rev. Proc. 2015-13. For example, an applicant requesting both a change to deduct repair and maintenance costs for tangible property (DCN 184) and a

**Table B: Schedules To Complete on Form 3115 for Common Accounting Method Changes**

Information to be completed for common method change requests

Common Method Changes	Schedule A		Schedule B	Schedule C		Schedule D			Schedule E
	Part I	Part II		Part I	Part II	Part I	Part II	Part III	
Accrual to Cash	X	X							
Cash to Accrual	X		X**						
Capitalize to Expense									
Expense to Capitalize								X*	X*
Depreciation									X
Long-Term Contracts						X		X	
Inventory Valuation Change							X	X*	
LIFO Change—Including Pooling				X	X				
Revenue Recognition Change for Deferral Method for Advance Payments, Cost Offset Methods, and/or Applicable Financial Statement Income Inclusion Rule			X						

- X Must fully complete section
- Section does not need to be completed.
- X\* To be completed if applicable—See instructions regarding Schedules D and E, later
- X\*\* To be completed if applicable—See instructions regarding Schedule B, later.

change to capitalize acquisition or production costs (DCN 192) may file a single Form 3115 for both changes by including both DCNs 184 and 192 on line 1a of Form 3115.

**Line 1b.** If the accounting method change is not included in the List of Automatic Changes or assigned a number in the published guidance providing the automatic accounting method change, check the box for “Other” on line 1b and identify the revenue procedure or other published guidance under which the automatic accounting method change is being requested.

**Line 2.** If “Yes,” provide an explanation as to why the applicant(s) qualifies to file under the automatic change procedures. If other published guidance provides for an automatic accounting method change not listed in the List of Automatic Changes, attach a statement citing the guidance. For example, for an applicant electing out of certain exemptions from securities dealer status to the mark-to-market method under section 475, attach a statement citing Rev. Proc. 97-43. If the eligibility rules otherwise restrict the applicant from requesting the change under the automatic change procedures, but such rules are waived for the requested change, then check “No.”



*Certain automatic method change requests require concurrent method changes to be made in order to qualify for the automatic change procedures. For example, a taxpayer making a change for accrued bonuses under DCN 133 must make the concurrent UNICAP change if the taxpayer is subject to section 263A but is not capitalizing the accrued bonuses under section 263A.*

Generally, an applicant is only eligible to use the automatic change procedures of Rev. Proc. 2015-13 if it satisfies the following requirements (see section 5.01(1) of Rev. Proc. 2015-13).

1. On the date the applicant files a Form 3115, the change is described in the List of Automatic Changes.
2. On the date the applicant files a Form 3115, the applicant meets all requirements for the change provided in the applicable section of the List of Automatic Changes.
3. The requested change is not to the principal method under Regulations sections 1.381(c)(4)-1(d)(1) or 1.381(c)(5)-1(d)(1).
4. The requested year of change is not the final year of the trade or business (but see the instructions for line 4).
5. For an overall method of accounting change, the applicant has not made or requested an overall method change during any of the 5 tax years ending with the year of change.
6. The applicant has not made or requested a change for the same item during any of the 5 tax years ending with the year of change, and
7. In the case of a taxpayer that uses the AFS cost offset method in Regulations section 1.451-3(c) and/or the advance payment cost offset method in Regulations section 1.451-8(e) and wants to make a cost-offset related inventory method change, as defined in section 5.06 of Rev. Proc. 2015-13, as modified by section 4.02 of Rev. Proc. 2021-34, 2021-35 I.R.B. 337 (that is described in the List of Automatic Changes) the taxpayer makes a concurrent change under section 16.10(2)(a)(iii)(E) and/or section 16.10(2)(a)(iv)(F) or section 16.10(2)(b)(ii)(E) of Rev. Proc. 2022-14, as applicable.

**Note.** Some automatic changes in methods of accounting waive some of the above requirements. These changes may be found in the List of Automatic Changes or the published guidance providing the automatic accounting method change.

**Line 3.** The filer must complete Form 3115, including any required statements or attachments. See [Table A](#) for the Form 3115 Part(s) required to be completed for all automatic and

non-automatic change requests. See [Table B](#) for a sample of common method changes and the Form 3115 Schedule(s) to be completed for each. Additionally, see published guidance for any additional required information or statements. For example, an applicant that wants to use the mark-to-market method of accounting under section 475(e) or (f) (DCN 64) must, by the due dates provided in section 5.03 of Rev. Proc. 99-17, file a statement that satisfies the requirements of section 5.04 of Rev. Proc. 99-17.

## Part II—Information for All Requests

**Line 4.** If no, check “No.” If yes, check “Yes” and attach a statement explaining why the applicant is eligible to change its accounting method. For example, specific guidance may permit an applicant to change its method of accounting in its final tax year. See section 5.03(2) of Rev. Proc. 2015-13 and sections 6.01 (DCN 7) and 6.07 (DCN 107) of Rev. Proc. 2022-14, or any successor.

Ordinarily, the IRS will not consent to a request for an accounting method change when an applicant ceases to engage in the trade or business or terminates its existence. Generally, an applicant is considered to cease to engage in a trade or business if the applicant terminates its existence for federal income tax purposes, ceases operation of the trade or business, or transfers substantially all the assets of the trade to another taxpayer. For example, a cessation of a trade or business occurs when a trade or business is incorporated or the assets of the trade or business are contributed to a partnership. See sections 3.04, 5.01, and 5.03 of Rev. Proc. 2015-13.

**Line 5.** When an acquiring corporation operates the trades or businesses of the parties as separate and distinct trades or businesses after the date of distribution or transfer, the acquiring corporation must use a carryover method. See Regulations sections 1.381(c)(4)-1(a)(2) and 1.381(c)(5)-1(a)(2). On the other hand, when the acquiring corporation does not operate the trades or businesses of the parties as separate and distinct trades or businesses after the date of distribution or transfer, the acquiring corporation will generally use the principal method. The applicant does not need to secure the Commissioner's consent to use the principal method. See Regulations sections 1.381(c)(4)-1(d)(1) and 1.381(c)(5)-1(d)(1).

**Line 6a.** Generally, the applicant is under examination with respect to a federal income tax return as of the date the applicant (or filer) is contacted in any manner by a representative of the IRS for the purpose of scheduling or conducting any type of examination of the return. See section 3.18 of Rev. Proc. 2015-13.

**Line 6b.** Generally, the applicant's accounting method is an issue under consideration if the examining agent has given the applicant (or filer) written notification specifically citing the treatment of the item as an issue under consideration. If an examining agent does not propose an adjustment for the item that is an issue under consideration during the examination, the item continues to be an issue under consideration after the examination ends only if the issue is placed in suspense. The applicant's accounting method is an issue placed in suspense if the examining agent has given the applicant (or filer) written notification of the IRS's intent to examine the issue during the examination of the subsequent tax year(s) to be examined. See section 3.08 of Rev. Proc. 2015-13. A partnership or an S corporation has an issue under consideration before examination if the same item is an issue under consideration in an examination of a partner's, member's, or shareholder's federal income tax return. For consolidated groups, see section 3.08 of Rev. Proc. 2015-13 for issue under consideration rules.





*For CFCs and 10/50 corporations, the issue under consideration rules are different. See section 3.08(4) of Rev. Proc. 2015-13.*

**Lines 6c and 6d.** If you answered “Yes” to line 6a, include the name and telephone number of the examining agent, and the tax year(s) under examination in the designated places on line 6c. For any present or former consolidated groups, if there is a tax year under examination, complete the information on line 6c. Provide a copy of Form 3115 to the examining agent no later than the date the filer timely files Form 3115. See section 6.03(3)(a) of Rev. Proc. 2015-13.

**Line 7a.** In general, audit protection applies when an application for change in accounting method is granted. See section 8.01 of Rev. Proc. 2015-13. For exceptions where audit protection is not provided, see section 8.02 of Rev. Proc. 2015-13. You should answer “Yes” even if you do not receive audit protection when the change is granted but might receive it at the end of the exam under section 8.02(1)(f) of Rev. Proc. 2015-13. For example, a change made under DCN 17 for an applicant that wants to change its treatment of research and experimental expenditures does not receive audit protection. See the List of Automatic Changes for additional method changes not subject to audit protection. If you are making a change on behalf of one or more applicants that are CFCs or 10/50 corporations and audit protection is unavailable for any such applicants for one or more years due to the application of section 8.02(5) of Rev. Proc. 2015-13, you should check “No” and attach an explanation stating the applicants and the years for which there is no audit protection under section 8.02(5).

If no audit protection is given for the requested change, check “No” and attach an explanation. For example, if you are making a change under DCN 17, your explanation is DCN 17. If you are making a change under DCN 7, your explanation could be that none of the items on line 7b apply. If multiple items are being changed on one Form 3115 and at least one item has audit protection and another item does not have audit protection, check both “Yes” and “No.”

**Line 7b.** Generally, the applicant receives audit protection for tax years prior to the year of change if they fall into one of the following categories listed below. If Form 3115 is being filed on behalf of multiple applicants or if multiple items are being changed on one Form 3115, check all that apply and attach a statement identifying which category applies to which applicant or item. Except for “Not under exam” and “Other,” the following only apply to applicants under examination.

- **Not under exam.** Check this box if (A) the applicant is not under exam, and (B) audit protection applies to the item(s) being changed.
- **3-month window.** The 3-month window is the period beginning on the 15th day of the 7th month following the close of the applicant's tax year and ending on the 15th day of the 10th month following the close of the applicant's tax year. For 52-53-week applicants, the tax year begins on the 1st day of the calendar month nearest to the 1st day of the 52-53-week tax year. See Rev. Proc. 2015-33. For applicants with a short tax year ending before the 15th day of the 10th month after the short tax year begins, the 3-month window is the period beginning on the 1st day of the 2nd month preceding the month in which the short tax year ends and ending on the last day of the short tax year. An applicant qualifies under the 3-month window period when (A) it has been under examination for at least 12 consecutive months as of the 1st day of the 3-month window, and (B) the accounting method for the same item the applicant is requesting to change is not an issue under consideration. See section 8.02(1)(a) of Rev. Proc. 2015-13. Checking this box satisfies the statement requirement of section 8.02(1)(a)(iv) of Rev. Proc. 2015-13.

- **120-day window period.** The 120-day window is the 120-day period following the date an examination of the applicant ends, regardless of whether a subsequent examination has commenced. An applicant qualifies under the 120-day window period if Form 3115 is filed in a 120-day window and the accounting method for the same item the applicant is requesting to change is not an issue under consideration. See section 8.02(1)(b) of Rev. Proc. 2015-13. If the applicant checks this box, also include the date the examination ended in the designated space on line 7b.

- **Method not before the director.** The present method is not before the director when it is (A) a change from a clearly permissible method of accounting or (B) a change from an impermissible method of accounting and the impermissible method was adopted subsequent to the tax year(s) under examination on the date the applicant files Form 3115. Checking this box satisfies the statement requirement of section 8.02(1)(c)(ii) of Rev. Proc. 2015-13.

- **Change resulting in a negative adjustment.** Check this box if the change results in a negative adjustment. A negative adjustment occurs where an item (A) results in a negative section 481(a) adjustment for that item for the year of change, and (B) would have resulted in a negative section 481(a) adjustment in each tax year under examination if the change in accounting method for that item had been made in the tax year(s) under examination. Checking this box satisfies the statement requirement in section 8.02(1)(e)(iii) of Rev. Proc. 2015-13.

- **CAP.** This box applies only to consolidated group members participating in the compliance assurance process (CAP). In general, audit protection applies to a new member if the new member is under audit solely by joining a consolidated group that participates in the CAP. See section 8.02(1)(d) of Rev. Proc. 2015-13. Checking this box satisfies the statement requirement of section 8.02(1)(d)(ii) of Rev. Proc. 2015-13. If the applicant checks this box, include the date the member joined the consolidated group in the designated space on line 7b.

- **Other.** The List of Automatic Changes or other guidance published in the I.R.B. may provide applicants with audit protection. For example, specific guidance may provide a filer under exam with audit protection. If this box is checked, attach a statement citing the guidance providing audit protection.

- **Audit protection at end of exam.** If the applicant does not fall into one of the categories listed above for line 7b, this box should generally be checked. The applicant may receive audit protection at the end of the examination, provided the examining agent does not propose an adjustment for the same item and the accounting method for that same item is not an issue under consideration. For certain foreign corporations, the applicant must satisfy additional requirements in order to receive audit protection at the end of the examination. See section 8.02(1)(f) of Rev. Proc. 2015-13.



*For CFCs and 10/50 corporations, the rules for audit protection are different. See section 8.02 of Rev. Proc. 2015-13 (different rules for the 3-month window, 120-day window, and audit protection at end of exam).*

**Line 8a.** If you answered “Yes,” complete lines 8b–d.

**Line 8b.** To determine if the applicant's accounting method is an issue under consideration by Appeals and/or a federal court, see sections 3.08(2) and 3.08(3) of Rev. Proc. 2015-13.

**Line 8c.** If you answered “Yes” to line 8a, include the name and telephone number of the Appeals officer(s) and/or counsel to the government, as well as the tax year(s) before Appeals and/or federal court in the designated places.

**Line 8d.** If you answered “Yes” for line 8a, provide a copy of the signed Form 3115 to the Appeals officer(s) and/or all counsel to the government, as applicable, no later than the date the filer

timely files Form 3115. See section 6.03(3)(a) of Rev. Proc. 2015-13.

**Line 9.** If you answered “Yes” to line 6a or 8a, complete line 9. The information requested on line 9 should be included on a separate attachment.

**Line 10.** If you answered “Yes,” attach an explanation. Unless otherwise provided, the applicant does not receive audit protection for the requested change if it is an issue under consideration. See sections 3.08 and 8.02(7) of Rev. Proc. 2015-13.

**Lines 11a–c.** Unless otherwise provided, an applicant is not eligible to file under the automatic change procedures if the applicant made or requested a prior overall method change or a prior item change (for the same item) within the 5 tax years ending with the requested year of change. For additional details, see section 9.03(6)(a) of Rev. Proc. 2023-1 and section 11.02(2) of Rev. Proc. 2015-13.

**Line 12.** For further details, see section 9.03(6)(b) of Rev. Proc. 2022-1.

**Line 13.** If you answered “Yes,” complete Schedule A of Form 3115. For example, an overall accounting method change includes a change from an accrual method to the cash receipts and disbursements method or vice versa. See section 446(c).

**Line 14.** Provide the information requested on lines 14a–d if the applicant answered “No” to question 13 or if the applicant answered “Yes” to question 13 and is also changing to a special accounting method for one or more items.

With the information requested on line 14b, the applicant is also required to provide a statement of whether or not the applicant has claimed any federal tax credit, grant, or subsidy relating to the item(s) being changed (for example, the employee retention credit for a change in method related to payroll taxes). A special accounting method for an item is an accounting method (other than the cash method or an accrual method) expressly permitted by the Code, regulations, or guidance published in the I.R.B. that deviates from the rules of sections 446, 451, and 461 (and the related regulations) that is applicable to the applicant's overall accounting method (proposed overall method if being changed). For example, the installment accounting method under section 453, the mark-to-market method under section 475, and the long-term contract method under section 460 are special methods of accounting. See section 15.01(2)(d) of Rev. Proc. 2022-14.

**Lines 15a and 15b.** Provide the requested information for each applicant. For guidance on using different methods of accounting for each trade or business, see section 446(d).

An applicant may include each member of a consolidated group, each wholly owned partnership within a consolidated group, each separate and distinct trade or business of each member of a consolidated group or other entity (even if the change is for all of a member's or other entity's trades or businesses), and each eligible CFC or 10/50 corporation filing a single Form 3115 requesting the identical accounting method change. Also see [Who Must File](#), earlier.

**Lines 16a–c.** For non-automatic changes, the applicant is required to provide a full explanation of the legal basis to support the proposed method, including all authorities supporting the proposed method, and a discussion of all contrary authorities. For further details on what is to be included, see Rev. Proc. 2023-1, sections 7.01(9) (statement of supporting authorities), 9.03(1) (facts and other information), 9.03(2) (statement of contrary authorities), 9.03(4) (analysis of material facts), and 9.03(7) (statement identifying pending legislation).

For the following automatic method changes, the applicant is only required to complete lines 16a–b, unless the information on

lines 16a–b is otherwise provided in the applicable Form 3115 Schedules A–E: DCNs 6, 7, 28, 54, 55, 64, 65, 108, 111, 114, 127, 194, and 200 (only for changes listed in sections 6.12(3)(a)(ix), 6.12(3)(a)(x), and 6.12(3)(b)(viii) in the List of Automatic Changes; 205 (only for changes listed in sections 6.13(3)(h) and 6.13(3)(j) in the List of Automatic Changes); 206 (only for changes listed in sections 6.14(3)(a), 6.14(3)(h), and 6.14(3)(j) in the List of Automatic Changes; 207 (only for changes listed in sections 6.15(3)(a) and 6.15(3)(d) in the List of Automatic Changes); 211, 218, 231, 237, 241, 242, 250, 251, 252, 253, 254, 255, and 256. Line 16c does not need to be completed for applicants filing automatic method changes. For further details on what is to be included, see Rev. Proc. 2023-1, sections 7.01(9) (statement of supporting authorities), 9.03(1) (facts and other information), and 9.03(4) (analysis of material facts).

If the automatic DCN is not specifically listed in the paragraph above, or subsequent guidance released after the issuance of these instructions, skip lines 16a–c.

**Line 17.** Insurance companies must also attach a statement indicating whether the proposed accounting method will be used for annual statement accounting purposes.

**Line 18.** For details on requesting and scheduling a conference, see sections 9.04(4) and 10 of Rev. Proc. 2023-1.

**Lines 19a and 19b.** For certain automatic method changes, the applicant must demonstrate that it meets the gross receipts test under section 448(c) to qualify for the change. This gross receipts test is met if a taxpayer has average annual gross receipts for the 3 prior tax years at or below the inflation-adjusted amount. See [Useful Items](#) earlier, for guidance on the inflation-adjusted amounts.

For the calculation of gross receipts for an overall accounting method change request, whether an applicant qualifies as a small business taxpayer for purposes of applying sections 263A and 471, or whether an applicant qualifies as an eligible small business under section 474(c), see section 448(c) and Regulations section 1.448-2(c), and, as applicable, Regulations section 1.263A-1(b)(1)(j) or Regulations section 1.471-1(a)(2).

For the calculation of gross receipts for determining whether the applicant has an exempt construction contract under Regulations section 1.460-3(b), for contracts entered into after December 31, 2017, in tax years ending after December 31, 2017, see section 448(c) and Regulations sections 1.448-2(c) and 1.460-3(b)(3).

## Part III—Information for Non-Automatic Change Request

**Non-automatic change—scope and eligibility rules.** An applicant may not use the non-automatic change procedures if any of the following eligibility limitations apply at the time Form 3115 is filed with the IRS National Office.

1. The change in accounting method is required to be made according to a published automatic change procedure, such as Rev. Proc. 2022-14.

2. The requested year of change is the final year of the trade or business, unless (a) the change is a result of a transaction to which section 381(a) applies; or (b) the applicant demonstrates to the satisfaction of the IRS National Office compelling circumstances, or that it is in the interest of sound tax administration for the applicant to change in its final year.

**Line 20.** If you answered “Yes,” attach an explanation describing why the applicant is not eligible to file a request under the automatic change procedures.



**Line 21.** Attach true copies of all contracts, agreements, and other documents directly related to the proposed accounting method change. See section 9.03(3) of Rev. Proc. 2023-1.

**Line 22.** Include a statement explaining the reason for the proposed change. See sections 7.01(1)(d) and 9.03(1) of Rev. Proc. 2023-1.

**Line 23.** If you answered “No” to line 23, a common parent requesting an accounting method change on behalf of a member of the consolidated group must attach a statement explaining the accounting method used by each member of the consolidated group for the particular item that is the subject of the method change request. See section 6.02(5) of Rev. Proc. 2015-13.

**Lines 24a and 24b.** For non-automatic change requests, you must pay a user fee for each applicant. Where the filer is not an applicant, a fee is not required for the filer. See section 15 and Appendix A of Rev. Proc. 2023-1 for information regarding user fees, including reduced user fees and user fees for additional applicants filing identical changes in methods of accounting.

Pay the user fees through [PAY.gov](https://pay.gov).

**Note.** Filers filing under the automatic change procedures do not pay a user fee.

**Example 1.** Filer is the common parent of a consolidated group of corporations. Filer files a single Form 3115 on behalf of itself and two other members of the consolidated group for an identical accounting method change. There are three applicants (Filer and the two other members of the consolidated group). Therefore, for a non-automatic change request, all three applicants are required to pay a user fee. The filer applicant must submit the regular user fee under section (A)(3)(b)(i) of Appendix A of Rev. Proc. 2023-1 (or a reduced fee per section (A)(4) of Appendix A of Rev. Proc. 2023-1, if applicable), and the two other applicants qualify for the reduced user fee under section (A)(5)(b) of Appendix A of Rev. Proc. 2023-1.

**Example 2.** Filer is the common parent of a consolidated group of corporations. Filer is filing a single Form 3115 on behalf of two other members of the consolidated group for an identical accounting method change. There are two applicants on Form 3115 (the two members of the consolidated group). Filer is not changing its accounting method and, therefore, does not pay a fee on account of itself. For a non-automatic change request, both applicants are required to pay a user fee. One applicant must submit the regular user fee under section (A)(3)(b)(i) of Appendix A of Rev. Proc. 2023-1 (or a reduced fee per section (A)(4) of Appendix A of Rev. Proc. 2023-1, if applicable), and the other applicant qualifies for the reduced user fee under section (A)(5)(b) of Appendix A of Rev. Proc. 2023-1. This example applies similarly to a filer that is the common sponsor of multiple entities.

**Example 3.** Filer, a single taxpayer, files Form 3115 on behalf of its three separate and distinct trades or businesses. The request is for an identical accounting method change. Notwithstanding that Filer is a single taxpayer, there are three applicants on Form 3115. For a non-automatic change request, all three applicants are required to pay a user fee. One applicant must submit the regular user fee under section (A)(3)(b)(i) of Appendix A of Rev. Proc. 2023-1 (or a reduced fee per section (A)(4) of Appendix A of Rev. Proc. 2023-1, if applicable), and the other two applicants qualify for the reduced user fee under section (A)(5)(b) of Appendix A of Rev. Proc. 2023-1.

## Part IV—Section 481(a) Adjustment

**Line 25.** Ordinarily, an adjustment under section 481(a) is required for accounting method changes. The section 481(a) adjustment period is generally 1 tax year (year of change) for a negative section 481(a) adjustment and 4 tax years (year of

change and next 3 tax years) for a positive section 481(a) adjustment. However, when an applicant is under examination, the section 481(a) adjustment period is 2 tax years (year of change and next tax year) for a positive section 481(a) adjustment for a requested accounting method change unless one of the following categories described on line 7b applies: 3-month window, 120-day window period, method not before the director, or CAP.

For some accounting method changes, there may be special rules relating to the section 481(a) adjustment period. See, for example, section 16.10(4)(b)(iv)(D) of Rev. Proc. 2022-14 pertaining to certain section 451 cost offset accounting method changes resulting from concurrent cost-offset related inventory method changes.

Also, for certain accounting method changes, the applicant must make the change on a cut-off basis or modified cut-off basis. See, for example, Regulations section 1.446-1(e)(2)(ii)(d)(5)(iii). In those cases, there is no section 481(a) adjustment. Under a cut-off basis, only the items arising on or after the beginning of the year of change are accounted for under the new method of accounting. Any items arising before the year of change continue to be accounted for under the applicant's former accounting method.

For a change in accounting method for accruing a foreign income tax expense, do not compute a section 481(a) adjustment. Instead, apply the modified cut-off rules in Regulations section 1.905-1(d)(5). Attach a statement showing, for each separate statutory or residual grouping, the upward and downward adjustment (accounted for in the currency in which the foreign tax liability is denominated) that is required by Regulations section 1.905-1(d)(5)(ii). Provide a separate upward and downward adjustment for foreign income taxes for which the foreign tax credit is disallowed and to which section 275(a)(4) does not apply. See Regulations section 1.905-1(d)(5) and the examples in Regulations section 1.905-1(d)(6) for additional information.

If multiple items are being changed on one Form 3115 and at least one item is changed on a cut-off basis or modified cut-off basis and another item is changed with a section 481(a) adjustment, check both “Yes” and “No” and attach a statement identifying which item(s) is being made on a cut-off basis or modified cut-off basis.

An eligible terminated S corporation (as defined in section 481(d)(2)) that is required to change an accounting method as a result of a revocation of its S corporation election must take into account the resulting positive or negative section 481(a) adjustment ratably during the 6-year period beginning with the year of change. In addition, an eligible terminated S corporation that is permitted to continue to use the cash method after the revocation of its S corporation election and that changes to an overall accrual method for the C corporation's first tax year after such revocation may take into account the resulting positive or negative adjustment required by section 481(a)(2) ratably during the 6-year period beginning with the year of change. See Rev. Proc. 2018-44, 2018-37 I.R.B. 426. Section 481(d)(2) defines an eligible terminated S corporation as any C corporation that (1) was an S corporation on December 21, 2017; (2) revokes its S corporation election after December 21, 2017, but before December 22, 2019; and (3) has the same owners of stock in identical proportions on December 22, 2017, and the revocation date.

If the accounting method change is an automatic change in functional currency under section 985 (see section 29.01 of Rev. Proc. 2022-14), the adjustments required under Regulations section 1.985-5 must be made on the last day of the tax year ending before the year of change. Any gain or loss that must be recognized under Regulations section 1.985-5 is included in income or earning and profits on the last day of the tax year

ending before the year of change, and is not subject to section 481. Attach a statement showing the adjustment required under Regulations section 1.985-5. The statement should include the amount of the adjustment required pursuant to Regulations section 1.985-5, a summary of the computation of such adjustment, and an explanation of any other adjustments required by Regulations section 1.985-5.

Except if instructed differently, you must attach a statement showing the (net) section 481(a) adjustment for each change in method for each applicant included on Form 3115. Include a summary of how the (net) section 481(a) adjustment was computed and an explanation of the methodology used to determine it. The summary of computation and explanation must be sufficient to demonstrate that the (net) section 481(a) adjustment is computed correctly. If the applicant is a CFC or 10/50 corporation, or a trade or business of a CFC or 10/50 corporation, and its functional currency is not the U.S. dollar, state the (net) section 481(a) adjustment in that functional currency. The statement may be combined with the information requested on the fourth line on page 1 (list the applicants and their identification numbers) and on line 24 (user fee).



*Section 481(a) adjustments (or components of section 481(a) adjustments) from changes under DCN 248 included in the same Form 3115 must be stated in accordance with section 6.22(8) of Rev. Proc. 2022-14.*

**Example 1.** Under its present method, XYZ Corporation is deducting certain costs that are required to be capitalized into inventory under section 263A. XYZ Corporation is proposing to change its account method to properly capitalize such costs. The computation of the section 481(a) adjustment with respect to the accounting method change is demonstrated as follows.

Beginning inventory for year of change under proposed method . . . . .	\$120,000
Beginning inventory for year of change under present method . . . . .	\$100,000
<b>Section 481(a) adjustment</b> . . . . .	<b>+\$20,000</b>

**Example 2.** WXY Corporation, a calendar year taxpayer, is a producer and capitalizes costs that are required to be capitalized into inventory under section 263A. Each February, WXY Corporation pays a salary bonus to each employee who remains in its employment as of January 31 for the employee's services provided in the prior calendar year. Under its present method, WXY Corporation treats these salary bonuses as incurred in the tax year the employee provides the related services. For 2022, WXY Corporation proposes to change its accounting method to treat salary bonuses as incurred in the tax year in which all events have occurred that establish the fact of the liability to pay the salary bonuses and the amount of the liability can be determined with reasonable accuracy, pursuant to section 20.01(2) of Rev. Proc. 2022-14. The computation of WXY Corporation's net section 481(a) adjustment for the change in accounting method for salary bonuses is demonstrated as follows.

Salary bonuses treated as incurred under the present method, but not incurred under the proposed method . . . . .	\$40,000
Beginning inventory as of January 1, 2022, with capitalized salary bonuses computed under the present method . . . . .	\$100,000
Beginning inventory as of January 1, 2022, with capitalized salary bonuses, computed under the proposed method . . . . .	\$92,000
Decrease in beginning inventory as of January 1, 2022 . . . . .	(\$8,000)
<b>Net section 481(a) adjustment</b> . . . . .	<b>+\$32,000</b>

**Line 26.** In computing the net section 481(a) adjustment, an applicant must take into account all relevant accounts. For some changes (for example, a change that affects multiple accounts), the section 481(a) adjustment is a net section 481(a) adjustment. See *Example 2* above and the example under [Schedule A, Part I, line 2h](#), later. If there is more than one method change requested, the section 481(a) adjustment is generally separately stated for each method change. However, some changes may require the netting of section 481(a) adjustments with those for certain other method changes made during the same year of change. See, for example, certain changes under section 16.10 of Rev. Proc. 2022-14.

If an election has been made under Regulations section 1.59A-3(c)(6)(i) to waive an allowed deduction for purposes of determining the section 59A base erosion and anti-abuse tax, and the method of accounting for the waived deduction is being changed, the amount of the net section 481(a) adjustment is determined without regard to the waived deduction. See Regulations section 1.59A-3(c)(6)(iii)(D). As a result, a waived deduction has no effect on the calculation of the amount of a section 481(a) adjustment. For an example illustrating how to calculate a section 481(a) adjustment with respect to a method of accounting for which an applicant has waived deductions, see Regulations 1.59A-3(d)(9) (*Example 9*).

**Line 27.** Certain automatic method changes require an applicant with a section 481(a) adjustment remaining on a prior change in accounting method to take the remaining portion of the prior section 481(a) adjustment into account in the year of change. See, for example, DCNs 234 and 262. If applicable, enter the amount of the remaining portion of the section 481(a) adjustment from the prior change.

**Line 28.** An applicant may elect a 1-year section 481(a) adjustment period for a positive section 481(a) adjustment that is less than \$50,000. See section 7.03(3)(c) of Rev. Proc. 2015-13. An applicant may also elect a 1-year section 481(a) adjustment period for all positive section 481(a) adjustments for the year of change if an eligible acquisition transaction occurs during the year of change or in the subsequent tax year on or before the due date for filing the applicant's federal tax return for the year of change. For more details about the eligible acquisition transaction election, see section 7.03(3)(d) of Rev. Proc. 2015-13.

**Line 29.** If "Yes," explain the nature and amount of the section 481 adjustment attributable to the intercompany transaction(s).

# Schedule A—Change in Overall Method of Accounting

## Part I—Change in Overall Method

All applicants filing to change their overall accounting method must complete Schedule A, Part I, including applicants filing under DCNs 122, 126, 127, 128, 233, 257, 258, and 259 in the List of Automatic Changes.

**Lines 2a–g.** Enter the amounts requested on lines 2a through 2g, even though the calculation of some amounts may not have been required in determining taxable income due to the applicant's present accounting method. Applicants with an applicable financial statement changing to an accrual method and entering an amount on line 2a should complete Schedule B if the income is subject to section 451(b).

**Note.** Do not include amounts that are not attributable to the accounting method change, such as amounts that correct a math or posting error or errors in calculating tax liability. In addition, for a bank changing to an overall cash/hybrid method of accounting, do not include any amounts attributable to a special method of accounting. See DCN 127.

**Line 2b.** Enter amounts received or reported as income in a prior year that were not earned as of the beginning of the year of change. For example, an advance payment received in a prior year for goods that were not delivered by the beginning of the year of change may be reported in the subsequent year if the applicant qualifies under Regulations section 1.451-8(c) or (d), as applicable. If any amounts entered on line 2b are for advance payments, complete Schedule B.

**Line 2h.** Enter the net amount, which is the net section 481(a) adjustment, on line 2h. Also, enter the net section 481(a) adjustment on Part IV, line 26. See the instructions for Part IV, line 26, earlier.

The following example illustrates how an applicant calculates the section 481(a) adjustment when changing to an accrual method, a nonaccrual-experience method, and the recurring item exception.

**Example.** ABC Corporation, a calendar year taxpayer using the cash method of accounting, has the following items of unreported income and expense on December 31, 2021.

Accrued income	\$250,000
Uncollectible amounts based on the nonaccrual-experience method	50,000
Accrued amounts properly deductible (economic performance has occurred)	75,000
Expenses eligible for recurring item exception	5,000

ABC Corporation changes to an overall accrual method, a nonaccrual-experience method, and the recurring item exception for calendar year 2022. The section 481(a) adjustment is calculated as of January 1, 2022, as follows.

Accrued income (line 2a)	\$250,000
<b>Less:</b>	
Uncollectible amount	(50,000)
Net income accrued but not received	\$200,000
<b>Less:</b>	
Accrued expenses (line 2c)	(75,000)
Expenses deducted as recurring item (line 2g)	(5,000)
Total expenses accrued but not paid	(80,000)
<b>Section 481(a) adjustment</b>	<b>+\$120,000</b>

**Line 3.** Check "Yes" if the applicant is requesting to use the recurring item exception (section 461(h)(3)). The section 481(a) adjustment must include the amount of the additional deduction that results from using the recurring item exception.

**Line 5.** Check "Yes" if the applicant is requesting a change to the overall cash method or to a method in which a taxpayer uses an accrual method for purchases and sales of inventories and uses the cash method for computing all other items of income and expense under section 15.17 of Rev. Proc. 2022-14 (DCNs 233 and 259). See section 15.17(5)(a) of Rev. Proc. 2022-14 to determine whether an applicant qualifies as a small business taxpayer.

## Part II—Change to the Cash Method for Non-Automatic Change Request

**Limits on cash method use.** Except as provided below, C corporations and partnerships with a C corporation as a partner may not use the cash method. Tax shelters are also precluded from using the cash method. For this purpose, a trust subject to tax on unrelated business income under section 511(b) is treated as a C corporation with respect to its unrelated trade or business activities.

The limit on the use of the cash method under section 448 does not apply to the following.

1. Farming businesses as defined in section 448(d)(1).
2. Qualified personal service corporations as defined in section 448(d)(2).
3. C corporations and partnerships with a C corporation as a partner that meets the section 448(c) gross receipts test for the tax year. The gross receipts test is met if a taxpayer has average annual gross receipts for the 3 prior tax years at or below the inflation-adjusted amount. See [Useful Items](#), earlier, for guidance on the inflation-adjusted amount for the applicable tax year. Also, see section 448(c) and Regulations section 1.448-2(c) to determine if the applicant qualifies for this exception.

For farming corporations and partnerships with a C corporation as a partner, see section 447 for limits on the use of the cash method.

Use of the cash method is also limited for a taxpayer that is required to maintain an inventory because the production, purchase, or sale of merchandise is an income-producing factor. However, see sections 448(c) and 471(c), and sections 15, 17 (DCNs 233 and 259), and 22.18 of Rev. Proc. 2022-14 (DCN 235) for an exception to this requirement for small business taxpayers with average annual gross receipts that meet the gross receipts test.



## Schedule B—Changes Related to the Deferral Method for Advance Payments, Cost Offset Methods, and/or the Applicable Financial Statement Income Inclusion Rule

**Line 1. The deferral method for advance payments.** In general, advance payments must be included in gross income in the tax year of receipt for federal income tax purposes. However, under Regulations section 1.451-8(c) or (d), an applicant may defer the inclusion in income of certain advance payments (or a portion thereof), as defined in Regulations section 1.451-8(a)(1), to the next tax year. If the applicant is also using the advance payment cost offset method, the portion of any advance payment to which the cost offset applies is deferred to the tax year in which ownership of the good is transferred to the customer. Under the cost offset method, only the portion of the payment in excess of costs incurred is recognized by the year following the year of receipt.

Applicants with or without an applicable financial statement (AFS), as defined in Regulations section 1.451-3(a)(5), may be eligible to use a deferral method for advance payments. See section 451(c), Regulations section 1.451-8, and section 16.10 of Rev. Proc. 2022-14 for more information about the deferral method for advance payments.

Some applicants requesting to change to the deferral method must file under the non-automatic change procedures of Rev. Proc. 2015-13. See section 16.10(3) of Rev. Proc. 2022-14. All other applicants must generally file under the automatic change procedures of Rev. Proc. 2015-13.

If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-8(c) or (d), attach a detailed description of the present and proposed methods including the following information.

1. Explain how the payments meet the definition of an advance payment as defined in Regulations section 1.451-8(a)(1).
2. Does the applicant have an AFS as defined in Regulations section 1.451-3(a)(5)? If so, identify the type of AFS.
3. *For applicants with an AFS.* Describe the advance payment allocation method if there is more than one performance obligation as defined in Regulations section 1.451-3(a)(11).

*For applicants without an AFS.* If the applicant receives an advance payment that is attributable to one or more items described in Regulations section 1.451-8(a)(1)(i)(C), describe the objective criteria on which the applicant's method is based. For example, the allocation method may be based on payments the applicant receives for an item or items it regularly sells or provides separately.

4. *For applicants with an AFS.* Under the proposed method, if the applicant is required to adjust AFS revenue in accordance with Regulations section 1.451-8(c)(2), describe the specific adjustments used to arrive at the amount taken into account as AFS revenue.

Applicants filing under the non-automatic change procedures of Rev. Proc. 2015-13 should include all information requested in the instructions for Schedule B, line 1, and see Rev. Proc. 2015-13 and [Non-automatic change scope and eligibility rules](#) under Part III, earlier, for additional requirements.

**Line 2. Cost offset methods.** Regulations section 1.451-3(c) allows taxpayers to use a cost offset accounting method to

determine the AFS income inclusion amount from the sale of inventory (AFS cost offset method). See Regulations section 1.451-3(c) for the rules relating to the AFS cost offset method. Applicants using this method for a trade or business that have advance payments for the sale of inventory must also use the advance payment cost offset method described in Regulations section 1.451-8(e). If an applicant chooses to use the AFS cost offset method and/or the advance payment cost offset method, as applicable, it must use such method(s) for all items of gross income in the trade or business that meet the criteria set forth in Regulations sections 1.451-3(c) and 1.451-8(e), as applicable. Under the AFS cost offset method and the advance payment cost offset method, the cost of goods in progress offset must be determined separately for each item of inventory. Under some circumstances, an applicant without an AFS may use the advance payment cost offset method in Regulations section 1.451-8(e). See DCN 253 in section 16.10 of Rev. Proc. 2022-14. Applicants changing to or within a cost offset method may be required to make concurrent accounting method changes, including cost-offset related inventory changes, as defined in section 5.06 of Rev. Proc. 2015-13, as modified by section 4.02 of Rev. Proc. 2021-34. See DCN 255 in section 16.10 of Rev. Proc. 2022-14.

If the applicant is requesting to change to or within a cost offset method, attach a detailed description of the present and proposed methods including the following information.

1. Does the applicant have an AFS as defined in Regulations section 1.451-3(a)(5)? If so, identify the type of AFS.
2. Describe any other concurrent proposed cost-offset related inventory method changes and describe the order in which the concurrent changes are being implemented. See section 16.10 of Rev. Proc. 2022-14.
3. Provide a general description of the items of inventory to which the change applies.
4. Describe how the applicant determines the cost of goods allocable to each respective item of inventory as required by Regulations section 1.451-3(c)(3) or Regulations section 1.451-8(e)(4), as applicable.

**Line 3. Methods to conform to the AFS income inclusion rule.** Generally, for an accrual method taxpayer, the all events test under Regulations section 1.451-1(a) for an item of gross income, or portion thereof, is met no later than when that item, or portion thereof, is taken into account as AFS revenue (AFS income inclusion rule). The AFS income inclusion rule does not apply to taxpayers that do not have an AFS, as defined in Regulations section 1.451-3(a)(5), for a tax year. See section 451(b), Regulations section 1.451-3, and DCN 250 in section 16.10 of Rev. Proc. 2022-14 for additional information about methods to conform to the AFS income inclusion rule.

If the applicant is requesting to change to or within a method to conform to the AFS income inclusion rule under section 451(b) and Regulations section 1.451-3, attach a detailed description of the present and proposed methods including the following information:

1. Identify the type of AFS that is used for purposes of the AFS income inclusion rule.
2. If the taxpayer is required to allocate transaction price to multiple items of gross income in accordance with Regulations section 1.451-3(d), including any item(s) of gross income that is accounted for under a special method of accounting, describe the present and proposed allocation method.
3. Under the proposed method, if the applicant is required to adjust AFS revenue in accordance with Regulations section 1.451-3(b)(2), describe the specific adjustments used to arrive at the amount taken into account as AFS revenue.

4. If under the applicant's proposed method of accounting, AFS revenue is reduced in accordance with the enforceable right rules in Regulations section 1.451-3(b)(2)(i)(B), describe why the applicant does not have an enforceable right to the reduction amount.

## Schedule C—Changes Within the LIFO Inventory Method

Use this schedule to request a change from one LIFO inventory method or submethod to another LIFO inventory method or submethod. All applicants changing within the LIFO inventory method or submethods must complete Part I. Complete Part II only if applicable.

### Part I—General LIFO Information

**Line 6.** Applicants changing to the inventory price index computation (IPIC) method must use this method for all LIFO inventories. This requirement includes applicants requesting DCN 61 or 62 in the List of DCNs, later.

## Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets

### Part I—Change in Reporting Income From Long-Term Contracts

**Line 2a.** Under section 460(f), the term “long-term contract” means any contract for the manufacture, building, installation, or construction of property that is not completed in the tax year in which it is entered into. However, a manufacturing contract will not qualify as long term unless the contract involves the manufacture of (a) a unique item not normally included in finished goods inventory, or (b) any item that normally requires more than 12 calendar months to complete.

Long-term contracts that do not meet the exceptions under section 460(e) must be accounted for using the percentage of completion method. See section 460 and the related regulations.

**Line 2b.** To qualify for the exceptions under section 460(e), the contract must be:

1. A home construction contract as defined in section 460(e)(5)(A), or
2. Any other construction contract entered into by the applicant if, at the time the contract is entered into, it is expected to be completed within 2 years and the applicant's average annual gross receipts for the 3-year period preceding the tax year the contract was entered into do not exceed the inflation-adjusted amount. See [Useful items](#), earlier.

**Line 2d.** Under the simplified cost-to-cost method, only certain costs are used in determining both (a) costs allocated to the contract and incurred before the close of the tax year, and (b) estimated contract costs. These costs are (1) direct material costs; (2) direct labor costs; and (3) allowable deductions for depreciation, amortization, and cost recovery allowances on equipment and facilities directly used to construct or produce the subject matter of the long-term contract. See Regulations section 1.460-5(c).

### Part II—Change in Valuing Inventories Including Cost Allocation Changes

If the applicant is currently using a LIFO inventory method or submethod and is changing to another LIFO inventory method or

submethod, Schedule D, Part II, is not applicable. Use Schedule C, Changes Within the LIFO Inventory Method.

**Line 3.** If an applicant is subject to, but not in compliance with, section 263A, generally on the same Form 3115 the applicant must first comply with section 263A before changing an inventory valuation method. The applicant must complete Schedule D, Part III, Method of Cost Allocation. For exceptions, see Regulations section 1.263A-7(b)(2).

**Line 5a.** If the applicant properly elected the LIFO inventory method but is unable to furnish a copy of Form(s) 970, Application to Use a LIFO Inventory Method, attach the following statement to Form 3115.

“I certify that to the best of my knowledge and belief [name of applicant] properly elected the LIFO inventory method by filing Form 970 with its return for the tax year(s) ended [insert date(s)] and otherwise complied with the provisions of section 472(d) and Regulations section 1.472-3.”

**Line 5c.** Attach the two statements required by section 23.01(5) of Rev. Proc. 2022-14.

**Line 6** Applicants requesting to make a cost-offset related inventory method change, as defined in section 5.06 of Rev. Proc. 2015-13, as modified by section 4.02 of Rev. Proc. 2021-34, may also be required to make concurrent cost offset changes under Regulations sections 1.451-3 and/or 1.451-8. See the changes under DCN 255 in section 16.10 of Rev. Proc. 2022-14. Applicants making concurrent cost offset changes under Regulations sections 1.451-3 and/or 1.451-8 should also complete Schedule B, line 2. Concurrent changes may need to be implemented in a particular order, and special eligibility rules regarding section 481(a) adjustments may apply. See section 16.10 of Rev. Proc. 2022-14 and section 5.01(1)(g) of Rev. Proc. 2015-13, as modified by section 4.01 of Rev. Proc. 2021-34.

### Part III—Method of Cost Allocation

Applicants requesting to change their accounting method for any property (produced or acquired for resale) subject to section 263A or any long-term contracts as described in section 460 must complete this schedule.

If the change is for noninventory property that is subject to section 263A, attach a detailed description of the types of property involved.

There are several methods available for allocating and capitalizing costs under section 263A, and for allocating costs to long-term contracts. A change to or from any of these methods is a change in accounting method that requires IRS consent. Using the applicable regulations and notice listed below, the applicant should verify which methods are presently being used and the proposed methods that will be used before completing Schedule D, Part III. These methods are as follows.

#### 1. Allocating Direct and Indirect Costs

- Specific identification method—Regulations sections 1.263A-1(f)(2) and 1.460-5.
- Burden rate method—Regulations sections 1.263A-1(f)(3)(i) and 1.460-5.
- Standard cost method—Regulations sections 1.263A-1(f)(3)(ii) and 1.460-5.
- Any other reasonable allocation method—Regulations sections 1.263A-1(f)(4) and 1.460-5.

#### 2. Allocating Mixed Service Costs

- Direct reallocation method—Regulations section 1.263A-1(g)(4)(iii)(A).

- Step-allocation method—Regulations section 1.263A-1(g)(4)(iii)(B).
- Simplified service cost method:
  - Using the labor-based allocation ratio—Regulations section 1.263A-1(h)(4).
  - Using the production cost allocation ratio—Regulations section 1.263A-1(h)(5).
- Any other reasonable allocation method—Regulations section 1.263A-1(f)(4).

### 3. Capitalizing Additional Section 263A Costs

- Simplified production method:
  - Without historic absorption ratio election—Regulations section 1.263A-2(b)(3).
  - With historic absorption ratio election—Regulations section 1.263A-2(b)(4).
- Modified simplified production method:
  - Without historic absorption ratio election—Regulations section 1.263A-2(c)(3).
  - With historic absorption ratio election—Regulations section 1.263A-2(c)(4).
- Simplified resale method:
  - Without historic absorption ratio election—Regulations section 1.263A-3(d)(3).
  - With historic absorption ratio election—Regulations section 1.263A-3(d)(4).
- U.S. ratio method—Notice 88-104, 1988-2 C.B. 443.
- Any other reasonable allocation method—Regulations section 1.263A-1(f)(4) (including the methods listed above under *Allocating Direct and Indirect Costs*).

## Schedule E—Change in Depreciation or Amortization

All applicants requesting to change their accounting method for depreciation or amortization must complete Schedule E of Form 3115. Attach a statement describing the property subject to the change. Include the property description, type, placed-in-service year, and use in the applicant's trade or business or income-producing activity, and include the type and amount of any tax credit claimed, subsidy, or grant received, along with any necessary adjustments to basis required under the Code, with respect to the property. The statement should include a description of the incentive received with respect to the property subject to the change, including whether the type of incentive is a tax credit, subsidy, grant, or other incentive and whether the incentive is funded by the federal government, a state or local government, or an agency or instrumentality thereof. Applicants changing their accounting method for depreciation or amortization under the automatic change procedures should see the depreciation changes in the List of DCNs below.

**Do not** file Form 3115:

1. To make an election under section 167, 168, 179, 197, or former section 1400I;
2. To revoke an election made under one of those sections;

3. To make or revoke an election under section 13261(g)(2) or (3) of the Revenue Reconciliation Act of 1993 (relating to section 197 intangibles);

4. To change the placed-in-service date;

5. To change the salvage value (except for a change in salvage value to zero when the salvage value is expressly treated as zero by the Code, the regulations, or other published guidance); or

6. To change a useful life under section 167 (except for a change to or from a useful life, recovery period, or amortization period that is specifically assigned by the Code, the regulations, or other published guidance).

## List of DCNs

### Summary of Automatic Accounting Method Changes

This list includes regulatory automatic changes, changes provided for in Rev. Proc. 2022-14, and automatic changes provided for in other guidance. These automatic changes may be modified or supplemented with additional automatic changes by subsequently published guidance.

This list provides a brief description of the automatic changes in method of accounting made using Form 3115. A filer/applicant may not rely on the list or the descriptions of accounting method changes in the list as authority for making an accounting method change. A filer/applicant that is within the scope of, and complies with, all the applicable provisions of the published guidance that authorizes each listed change may rely on the applicable published guidance as authority for its automatic accounting method change. If any information in the list conflicts with published guidance, the published guidance applies. Each automatic method change described in Rev. Proc. 2022-14, as modified, contains a contact person you may call if you need additional information concerning the change (not a toll-free number).

Each item in the list below:

- Designates an automatic accounting method change number for each change for entry on line 1a of Form 3115;
- Briefly describes the accounting method change and its primary Code section(s);
- Indicates in some cases which schedules of Form 3115 to complete; and
- Provides a reference to the basic published guidance (for example, revenue procedure) that provides for the automatic change, which filers should review prior to completing Part I, Information for Automatic Change Request, on page 1 of Form 3115.

**Note.** Certain retired or obsolete numbers in the List of DCNs have not been replaced in order to maintain continuity for the active DCNs.



*In the event the underlying authority for any of the DCNs becomes obsolete or is superseded, then a change can no longer be made under such DCN.*



List of DCNs	
No.	Change
1	<b>Commodity Credit Corporation loans (section 77)</b> —for loans received from the Commodity Credit Corporation, <b>from</b> including the loan amount in gross income for the tax year in which the loan is received <b>to</b> treating the loan amount as a loan. See section 2.01 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
2	<b>Advances made by a lawyer on behalf of clients (section 162)</b> — <b>from</b> treating advances of money to or on behalf of their clients for litigation or other client expenses as deductible expenses <b>to</b> treating those advances as a loan. See section 3.01 of Rev. Proc. 2022-14.
3	<b>ISO 9000 costs (section 162)</b> — <b>to</b> treating the costs as deductible, except to the extent they result in the creation or acquisition of an asset having a useful life substantially beyond the tax year. See section 3.02 of Rev. Proc. 2022-14.
4	<b>Restaurant smallwares costs (section 162)</b> — <b>to</b> the smallwares method described in Rev. Proc. 2002-12, 2002-1 C.B. 374 (that is, as materials and supplies that are not incidental under Regulations section 1.162-3). See section 3.03 of Rev. Proc. 2022-14.
5	<b>Bad debts (section 166)</b> —for an applicant other than a bank, <b>from</b> accounting for bad debts using a reserve or other improper method <b>to</b> a specific charge-off method that complies with section 166. See section 4.01 of Rev. Proc. 2022-14.
6	<b>Bad debt conformity for banks (section 166)</b> —for banks other than new banks, <b>to</b> the method that conforms to Regulations section 1.166-2(d)(3) for the first time the bank makes this change, or <b>to</b> involuntarily revoke this method. This change does not fall under the procedures of Rev. Proc. 2022-14. Instead, see Regulations section 1.166-2(d)(3). <b>Note.</b> This change is implemented on a cut-off basis and generally with audit protection, but with some conditions or limitations.
7	<b>Depreciation or amortization (impermissible to permissible) (sections 56, 167, 168, 197, 280F, or former sections 168, 1400I, 1400L, or 1400N)</b> — <b>from</b> an impermissible method <b>to</b> a permissible method for changes allowed under Regulations section 1.446-1(e)(2)(ii)(d), and for depreciable property owned at the beginning of the year of change. Complete Schedule E of Form 3115. An applicant changing its method of accounting for depreciation because of a change described in DCN 10 (sale or lease transactions) must file Form 3115 according to the DCN 10. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.01 of Rev. Proc. 2022-14.
8	<b>Depreciation (permissible to permissible) (sections 56 and 167)</b> — <b>from</b> a permissible method <b>to</b> another permissible method listed in section 6.02 of Rev. Proc. 2022-14. Complete Schedule E of Form 3115. Change is implemented on a modified cut-off basis. An applicant making a change from a permissible to another permissible method of depreciating MACRS property must file Form 3115 according to DCN 200. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.02 of Rev. Proc. 2022-14.
10	<b>Sale, lease, or financing transactions (sections 61, 162, 167, 168, and 1012)</b> — <b>from</b> improperly treating property as sold, leased, or financed <b>to</b> a permissible method as described in section 6.03 of Rev. Proc. 2022-14. See section 6.03 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
11	<b>Obsolete.</b> See DCN 7.
12	<b>Obsolete.</b> See DCN 7.
13	<b>Obsolete.</b> See DCN 7.
14	<b>Obsolete.</b> See DCN 7.
15	<b>Obsolete.</b> See DCN 210.
16	<b>Amortizable bond premium (section 171)</b> — <b>from</b> amortizing bond premium <b>to</b> not amortizing the premium (revoking the section 171(c) election). See section 5.01 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis and is also generally made with audit protection, but with conditions or limitations.
17	<b>Research and experimental expenditures (section 174)</b> — <b>from</b> the capitalization method <b>to</b> another permissible method, <b>from</b> the expense method <b>to</b> another permissible method, <b>from</b> the deferred expense method <b>to</b> another permissible method, <b>from</b> the current period of amortization <b>to</b> a different period of amortization under the deferred expense method, or <b>from</b> treating research and experimental expenditures under any provision of the Internal Revenue Code other than section 174 <b>to</b> treating such expenditures under section 174. See section 7.01 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis and does not receive audit protection. <b>Note.</b> This change does not apply to costs of developing computer software that are paid or incurred in tax years beginning after December 31, 2021. To make a change for such costs, see DCN 265.
18	<b>Computer software expenditures (sections 162 and 167)</b> —for costs of developed, acquired, leased, or licensed computer software, <b>to</b> deductible expenses or capital expenditures and amortization (for developed software), <b>to</b> capital expenditures and depreciation or amortization (for acquired computer software), or <b>to</b> deductible expenses under Regulations section 1.162-11 (for leased or licensed computer software). Complete Schedule E of Form 3115 for changes relating to acquired computer software or developed computer software if the change is to capital expenditures and amortization. See section 9.01 of Rev. Proc. 2022-14. <b>Note.</b> This change does not apply to costs of developing computer software that are paid or incurred in tax years beginning after December 31, 2021. To make a change for such costs, see DCN 265.

List of DCNs	
No.	Change
19	<b>Package design costs (section 263)</b> —to the capitalization method, to the design-by-design capitalization and 60-month amortization method, or to the pool-of-cost capitalization and 48-month amortization method. See section 11.01 of Rev. Proc. 2022-14.
20	<b>Line pack gas or cushion gas costs (section 263)</b> —to treating the costs as capital expenditures, the costs of recoverable amounts as not depreciable, and the costs of unrecoverable amounts as depreciable. A taxpayer that changes its method for the costs of unrecoverable amounts must also change to a permissible method of depreciation for those costs. Complete Schedule E of Form 3115 for changes relating to the costs of unrecoverable amounts. See section 11.02 of Rev. Proc. 2022-14.
21	<b>Removal costs (section 263)</b> —for certain costs incurred in the retirement and removal of depreciable assets, to a method that conforms with Rev. Rul. 2000-7, 2000-1 C.B. 712, or for removal costs in disposal of a depreciable asset, including a partial disposition, as described under Regulations section 1.263(a)-3(g)(2)(i). Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.03 of Rev. Proc. 2022-14.
22	<b>Certain uniform capitalization methods used by resellers and reseller-producers (section 263A)</b> —for qualifying applicants, to a qualifying method or methods. Complete Schedule D, Parts II and III, of Form 3115. See section 12.01 of Rev. Proc. 2022-14.
23	<b>Certain uniform capitalization methods used by producers and reseller-producers (section 263A)</b> —for qualifying applicants, to a qualifying method or methods. Complete Schedule D, Parts II and III, of Form 3115. See section 12.02 of Rev. Proc. 2022-14.
24	<b>Obsolete.</b> See DCN 17.
25	<b>Impact fees (section 263A)</b> —for impact fees incurred in connection with the new construction or expansion of a residential building, to treating the costs as capital expenditures allocable to the building. Complete Schedule E of Form 3115 if the building is depreciable. See section 12.03 of Rev. Proc. 2022-14.
26	<b>Related party transactions (section 267)</b> —for losses, expenses, and qualified stated interest incurred in transactions between related parties, to treating certain deductions attributable to such transactions in accordance with section 267, including the exception in section 1.267(a)-3(c)(4). See section 13.01 of Rev. Proc. 2022-14.
27	<b>Obsolete.</b>
28	<b>Bonus or vacation pay deferred compensation (section 404)</b> —for bonuses that are deferred compensation, from treating as deductible or capitalizable when accrued, to treating as deductible or capitalizable in the year in which includible in the employee's income, and for vacation pay that is deferred compensation, from treating as deductible or capitalizable when accrued to treating as deductible or capitalizable in the year in which paid to the employee. See section 14.01 of Rev. Proc. 2022-14.
29	<b>Grace period contributions (section 404)</b> —for contributions made to a section 401(k) qualified cash or deferred arrangement or matching contributions under section 401(m), from treating contributions made after the end of the tax year but before the due date of the tax return as being on account of the tax year without regard to when the underlying compensation is earned to treating such contributions as not being on account of the tax year if they are attributable to compensation earned after the end of that tax year. See section 14.02 of Rev. Proc. 2022-14.
31	<b>Multi-year insurance policies for multi-year service warranty contracts (section 446)</b> —for a manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods accounting for multi-year insurance policies for multi-year service warranty contracts, to capitalizing and amortizing the costs. See section 15.02 of Rev. Proc. 2022-14.
32	<b>Obsolete.</b> See DCN 233.
33	<b>Obsolete.</b> See DCN 233.
34	<b>First section 448 year (section 448)</b> —for an applicant changing from the cash method for its first section 448 year that makes the change using the regulation provision in lieu of Rev. Proc. 2015-13. Complete Schedule A, Part I, of Form 3115. Also, complete Schedule D, Parts II and III, as applicable, of Form 3115. This change does not fall under the procedures of Rev. Proc. 2015-13. Instead, see Regulations section 1.448-1. (See DCN 123 for taxpayers making the change under Rev. Proc. 2015-13. For applicants subject to section 447, see DCN 258). <b>Note.</b> This change does not apply for any tax year beginning on or after January 5, 2021. See, however, DCN 257.

List of DCNs	
No.	Change
35	<p><b>Nonaccrual-experience method (section 448)</b>—for an applicant changing: <b>to</b> a safe harbor method provided in Regulations section 1.448-3(f)(1) (the revenue-based moving average method), (f)(2) (the actual experience method), (f)(3) (the modified Black Motor method), (f)(4) (the modified moving average method), or (f)(5) (the alternative nonaccrual-experience method); <b>to</b> a periodic system; <b>from</b> an NAE method to a specific charge-off method; <b>from</b> a sub-method of its current NAE method provided in Regulations section 1.448-3 regarding applicable periods to another sub-method regarding applicable periods that is permitted under Regulations section 1.448-3, other than a change to exclude tax years from an applicable period under Regulations section 1.448-3(d)(6); <b>from</b> a sub-method of its current NAE method provided in Regulations section 1.448-3 regarding tracing of recoveries <b>to</b> another sub-method regarding tracing of recoveries permitted under Regulations section 1.448-3(f)(2)(iii); or <b>to</b> the NAE book safe harbor method described in section 5.01 of Rev. Proc. 2011-46, 2011-42 I.R.B. 518. <b>Note.</b> An applicant using the NAE book safe harbor method that wants to make certain changes within the NAE book safe harbor method (as described in sections 5.02 and 5.03 of Rev. Proc. 2011-46) must attach a statement to its federal income tax return in lieu of filing a Form 3115. See Rev. Proc. 2011-46; section 15.03 of Rev. Proc. 2022-14; and Rev. Proc. 2006-56, 2006-2 C.B. 1169. <b>Note.</b> Certain changes are made on a cut-off basis.</p>
36	<p><b>Interest accrual on non-performing loans (section 451)</b>—for an accrual method bank accounting for qualified stated interest on non-performing loans, <b>to</b> the method whereby interest is accrued until either the loan is worthless under section 166 and is charged off as a bad debt or the interest is determined to be uncollectible. See section 16.01 of Rev. Proc. 2022-14.</p>
37	<p><b>Advance rentals (section 451)</b>—for advance rentals other than advance rentals subject to section 467, <b>to</b> inclusion in gross income in the tax year received. See section 16.02 of Rev. Proc. 2022-14.</p>
38	<p><b>State or local income or franchise tax refunds (section 451)</b>—for an accrual method applicant with state or local income or franchise tax refunds, <b>to</b> accrue these items in the tax year the applicant receives payments or notice of approval of its refund claim (whichever is earlier), according to Rev. Rul. 2003-3, 2003-1 C.B. 252. See section 16.03 of Rev. Proc. 2022-14.</p>
39	<p><b>Capital cost reduction (CCR) payments (section 451)</b>—for CCR payments (as defined in Rev. Proc. 2002-36, 2002-1 C.B. 993) made by vehicle lessees, <b>to</b> the method that excludes these payments from the applicant's gross income and from the applicant's bases in the purchased vehicles. See section 16.04 of Rev. Proc. 2022-14.</p>
41	<p><b>Obsolete.</b></p>
42	<p><b>Timing of incurring employee medical benefits liabilities (section 461)</b>—for an applicant with an obligation to pay an employee's medical expenses (including medical expenses for retirees and employees who filed claims under a workers' compensation act) that is neither insured nor paid from a welfare benefit fund, <b>to</b> treatment as a liability incurred in the tax year in which the applicant's employee files the claim with the applicant; or, if the applicant has a liability to pay a third party for medical services to its employees, <b>to</b> treatment as a liability as incurred in the tax year in which the services are provided. See section 20.01(1) of Rev. Proc. 2022-14.</p>
43	<p><b>Timing of incurring real property taxes, personal property taxes, state income taxes, and state franchise taxes (section 461)</b>—for a qualifying applicant, <b>to</b> treating these taxes as incurred in the tax year in which the taxes are paid, or <b>to</b> account for these taxes under the recurring item exception to the economic performance rules, or <b>to</b> revoke the ratable accrual election under section 461(c). See section 20.02 of Rev. Proc. 2022-14.</p>
44	<p><b>Timing of incurring workers' compensation act, tort, breach of contract, or violation of law liabilities (section 461)</b>—for a qualifying applicant accounting for self-insured liabilities arising under any workers' compensation act or out of any tort, breach of contract, or violation of law, <b>to</b> treating the liability as incurred in the tax year in which (a) all the events have occurred establishing the fact of the liability, (b) the amount of the liability can be determined with reasonable accuracy, and (c) payment is made to the person to which the liability is owed. See section 20.03 of Rev. Proc. 2022-14.</p>
45	<p><b>Timing of incurring certain payroll tax liabilities (section 461)</b>—for FICA and FUTA taxes, state unemployment taxes, and railroad retirement taxes, to the method under which the applicant may deduct in Year 1 its otherwise deductible FICA and FUTA taxes, state unemployment taxes, and railroad retirement taxes imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met; or, for state unemployment taxes and railroad retirement taxes, <b>to</b> the method stated above where the applicant already uses that method of accounting for FICA and FUTA taxes. See section 20.04 of Rev. Proc. 2022-14.</p>
46	<p><b>Cooperative advertising (section 461)</b>—<b>to</b> incurring a liability in the tax year in which these services are performed, provided the manufacturer is able to reasonably estimate this liability even though the retailer does not submit the required claim form until the following year. See section 20.05 of Rev. Proc. 2022-14.</p>
47	<p><b>Distributor commissions (section 263)</b>—<b>from</b> deducting distributor commissions <b>to</b> capitalizing and amortizing distributor commissions using the distribution fee period method, the 5-year method, or the useful life method. This change is implemented on a cut-off basis and applies only to distributor commissions paid or incurred on or after the beginning of the year of change. See section 11.04 of Rev. Proc. 2022-14. Complete Schedule E of Form 3115.</p>



List of DCNs	
No.	Change
48	<b>Cash discounts (section 471)</b> —for cash discounts granted for timely payment, when such discounts approximate a fair interest rate, <b>from</b> a method of consistently including the price of the goods before discount in the cost of the goods and including in gross income any discounts taken <b>to</b> a method of reducing the cost of the goods by the cash discounts and deducting as an expense any discounts not taken, or vice versa. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.01 of Rev. Proc. 2022-14.
49	<b>Estimating inventory shrinkage (section 471)</b> — <b>from</b> the present method of estimating inventory shrinkage in computing ending inventory <b>to</b> the retail safe harbor method in section 4 of Rev. Proc. 98-29, 1998-1 C.B. 857, or <b>to</b> a method other than the retail safe harbor method, provided (a) the applicant’s present method of accounting does not estimate inventory shrinkage, and (b) the applicant’s new method of accounting (that estimates inventory shrinkage) clearly reflects income under section 446(b). Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.02 of Rev. Proc. 2022-14.
50	<b>Obsolete.</b> See DCN 235.
51	<b>Obsolete.</b> See DCN 235.
53	<b>Qualifying volume-related trade discounts (section 471)</b> — <b>to</b> treating qualifying volume-related trade discounts as a reduction in the cost of merchandise purchased at the time the discount is recognized in accordance with Regulations section 1.471-3(b). Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.03 of Rev. Proc. 2022-14.
54	<b>Impermissible methods of identification and valuation of inventories (section 471)</b> —for an applicant changing <b>from</b> an impermissible method of identifying or valuing inventories <b>to</b> a permissible method of identifying or valuing inventories. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.04 of Rev. Proc. 2022-14.
55	<b>Core alternative valuation method for remanufactured and rebuilt motor vehicle parts (section 471)</b> —for remanufactures and rebuilders of motor vehicle parts and resellers of remanufactured and rebuilt motor vehicle parts that use the lower of cost or market method to value their inventory of cores, <b>to</b> the safe harbor method of accounting (the Core alternative valuation method) to value inventories of cores, as provided for in Rev. Proc. 2003-20, 2003-1 C.B. 445. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.05 of Rev. Proc. 2022-14.
56	<b>Change from LIFO inventory method (section 472)</b> —for an applicant changing from the LIFO inventory method for its entire LIFO inventory, or for one or more dollar-value pools within its LIFO inventory, <b>to</b> the permitted method as described in section 23.01(1)(b) of Rev. Proc. 2022-14. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 23.01 of Rev. Proc. 2022-14.
57	<b>Determining current-year cost under the LIFO inventory method (section 472)</b> —for an applicant changing its method of determining current-year cost <b>to</b> (a) the actual cost of the goods most recently purchased or produced (most-recent acquisitions method); (b) the actual cost of the goods purchased or produced during the tax year in the order of acquisition (earliest-acquisitions method); (c) the average unit cost equal to the aggregate actual cost of all the goods purchased or produced throughout the tax year divided by the total number of units so purchased or produced; (d) the specific identification method; or (e) a rolling-average method if the applicant uses that rolling-average method in accordance with Rev. Proc. 2008-43, 2008-30 I.R.B. 186, as modified by Rev. Proc. 2008-52, 2008-2 C.B. 587. Complete Schedule C, Part I, of Form 3115. See section 23.02 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
58	<b>Alternative LIFO inventory method (section 472)</b> —for a qualifying applicant that sells new automobiles or new light-duty trucks, <b>to</b> the Alternative LIFO Method described in Rev. Proc. 97-36, 1997-2 C.B. 450, as modified by Rev. Proc. 2008-23, 2008-1 C.B. 664. Complete Schedule C of Form 3115, as applicable. See section 23.03 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.

**List of DCNs**

No.	Change
59	<b>Used Vehicle Alternative LIFO Method (section 472)</b> —for a qualifying applicant that sells used automobiles and used light-duty trucks, <b>to</b> the Used Vehicle Alternative LIFO Method, as described in Rev. Proc. 2001-23, 2001-1 C.B. 784, as modified by Announcement 2004-16, 2004-1 C.B. 668, and Rev. Proc. 2008-23, 2008-1 C.B. 664. Complete Schedule C, Part I, of Form 3115. See section 23.04 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
60	<b>Determining the cost of used vehicles purchased or taken as a trade-in (section 472)</b> —for a qualifying applicant, <b>to</b> a method of (a) determining the cost of used vehicles acquired by trade-in using the average wholesale price listed by a consistently used official used car guide on the date of the trade-in; (b) using a different official used vehicle guide for determining the cost of used vehicles acquired by trade-in; (c) determining the cost of used vehicles purchased for cash using the actual purchase price of the vehicle; or (d) reconstructing the beginning-of-the-year cost of used vehicles purchased for cash using values computed by national auto auction companies based on vehicles purchased for cash, where the national auto auction company selected is consistently used. Complete Schedule C, Part I, of Form 3115. See section 23.05 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
61	<b>Change to IPIC inventory method (section 472)</b> —for a qualifying applicant, <b>from</b> a non-inventory price index computation (IPIC) LIFO inventory method <b>to</b> the IPIC method in accordance with all relevant provisions of Regulations section 1.472-8(e) (3); or <b>from</b> the IPIC method as described in T.D. 7814, 1982-1 C.B. 84 (the old IPIC method) <b>to</b> the IPIC method as described in T.D. 8976, 2002-1 C.B. 421 (the new IPIC method), which includes the following required changes (if applicable): <b>from</b> using 80% of the inventory price index (IPI) <b>to</b> using 100% of the IPI to determine the base-year cost and dollar-value of a LIFO pool(s); <b>from</b> using a weighted arithmetic mean <b>to</b> using a weighted harmonic mean to compute an IPI for a dollar-value pool(s); and <b>from</b> using a components-of-cost method to define inventory items <b>to</b> using a total-product-cost method to define inventory items. Complete Schedule C of Form 3115, as applicable. See section 23.06 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
62	<b>Changes within IPIC inventory method (section 472)</b> —for one or more of the following changes within IPIC: (a) <b>from</b> the double-extension IPIC method <b>to</b> the link-chain IPIC method, or vice versa; (b) <b>to</b> or <b>from</b> the 10% method; (c) <b>to</b> a pooling method described in Regulations section 1.472-8(b)(4) or Regulations section 1.472-8(c)(2), including a change to begin or discontinue applying one or both of the 5% pooling rules; (d) combine or separate pools as a result of the application of a 5% pooling rule described in Regulations section 1.472-8(b)(4) or Regulations section 1.472-8(c)(2); (e) change the selection of BLS tables <b>from</b> Table 3 (Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, detailed expenditure categories) of the monthly CPI Detailed Report <b>to</b> Table 9 (Producer price indexes and percent changes for commodity groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed Report, or vice versa; (f) change the assignment of one or more inventory items to BLS categories under either Table 3 of the monthly CPI Detailed Report or Table 9 of the monthly PPI Detailed Report; (g) change the representative month when necessitated because of a change in tax year or a change in method of determining current-year cost made pursuant to section 23.02 of Rev. Proc. 2022-14; or (h) change from using preliminary BLS price indexes to using final BLS price indexes to compute an inventory price index, or vice versa. Complete Schedule C of Form 3115, as applicable. See section 23.07 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
63	<b>Replacement cost method for automobile dealers' parts inventory (sections 471 and 472)</b> — <b>to</b> the replacement cost method for automobile dealers' parts inventory described in Rev. Proc. 2002-17, 2002-1 C.B. 676. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.06 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
64	<b>Mark-to-market (section 475)</b> —for accounting for securities or commodities by electing commodities dealers, securities traders, and commodities traders, <b>to</b> the mark-to-market method under section 475(e) or (f). An election statement must be filed earlier than the due date of Form 3115. See Rev. Proc. 99-17, 1999-1 C.B. 503, for rules relating to this statement. See section 24.01 of Rev. Proc. 2022-14. In general, for an electing dealer or trader, the election cannot be revoked within 5 tax years of the election year under the automatic method change described in section 24.02 of Rev. Proc. 2022-14 (DCN 218). Instead, the dealer or trader must use the non-automatic change procedures in Rev. Proc. 2015-13 to revoke the election and change to a realization method.
65	<b>Dealer status changes (section 475)</b> —for an applicant electing out of certain exemptions from securities dealer status, <b>to</b> the mark-to-market method. This change does not fall under the automatic change procedures of Rev. Proc. 2015-13. Instead, see Rev. Proc. 97-43, 1997-2 C.B. 494. <b>Note.</b> This change is implemented on a cut-off basis.
66	<b>Bank reserves for bad debts (section 585)</b> —for a bank (as defined in section 581, including a bank for which a qualified subchapter S subsidiary (QSub) election is filed) to change <b>from</b> the section 585 reserve method <b>to</b> the section 166 specific charge-off method. See section 25.01 of Rev. Proc. 2022-14.
67	<b>Insurance company premium acquisition expenses (section 832)</b> —for certain insurance companies, <b>to</b> a safe harbor method of accounting for premium acquisition expenses set forth in Rev. Proc. 2002-46, 2002-2 C.B. 105. See section 26.01 of Rev. Proc. 2022-14.
68	<b>Discounted unpaid losses (section 846)</b> —for insurance companies other than life insurance companies computing discounted unpaid losses, <b>to</b> the composite method or <b>to</b> alternative methods set forth in Notice 88-100, 1988-2 C.B. 439, and Rev. Proc. 2002-74, 2002-2 C.B. 980. See section 27.01 of Rev. Proc. 2022-14.

List of DCNs	
No.	Change
70	<b>Functional currency (section 985)</b> —to the use of another functional currency for the applicant or its qualified business unit (QBU), other than a QBU described in Regulations section 1.985-1(b)(1)(iii). See section 29.01 of Rev. Proc. 2022-14.
71	<b>Rule of 78s (section 1272)</b> —for stated interest on certain short-term consumer loans, <b>from</b> the Rule of 78s method <b>to</b> the constant yield method. See section 15.04 of Rev. Proc. 2022-14.
72	<b>Original issue discount (sections 1272 and 1273)</b> —to the principal-reduction method for de minimis original issue discount (OID). See section 30.01 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis and does not receive audit protection.
73	<b>Market discount bonds (section 1278)</b> — <b>from</b> including market discount currently in income for the tax year to which the discount is attributable <b>to</b> including market discount in income for the tax year of disposition or partial principal payment (revoking the section 1278(b) election). <b>Note.</b> This change is implemented on a cut-off basis and is also generally made with audit protection, but with conditions or limitations. See section 31.01 of Rev. Proc. 2022-14.
74	<b>Interest income on short-term obligations (section 1281)</b> —to currently including accrued interest and discount in income (to comply with section 1281). See section 32.01 of Rev. Proc. 2022-14.
75	<b>Stated interest on short-term loans (section 1281)</b> —for a bank using the cash method of accounting, <b>from</b> accruing stated interest on short-term loans made in the ordinary course of business <b>to</b> using the cash method to report such interest. See section 32.02 of Rev. Proc. 2022-14.
76	<b>Sales of mortgage loans (section 1286)</b> —for accounting for certain sales of mortgage loans in which the seller also enters into a contract to service the mortgages in consideration for amounts received from interest payments, <b>from</b> a method that is inconsistent with Rev. Rul. 91-46, 1991-2 C.B. 358, <b>to</b> a method that is consistent with Rev. Rul. 91-46. However, the change is only an automatic accounting method change for certain taxpayers who are under examination. This change does not fall under the automatic change procedures of Rev. Proc. 2015-13. Instead, see Rev. Proc. 91-51, 1991-2 C.B. 779.
77	<b>Environmental remediation costs (section 263A)</b> —for costs incurred to clean up land that a taxpayer contaminated with hazardous waste from the taxpayer’s manufacturing operations, <b>to</b> capitalizing such costs in inventory costs under section 263A. See section 12.04 of Rev. Proc. 2022-14.
78	<b>Costs of intangibles and certain transactions (section 263(a))</b> —for amounts paid or incurred to acquire or create intangibles, or to facilitate an acquisition of a trade or business, a change in the capital structure of a business entity, and certain other transactions, <b>to</b> a method of accounting provided in Regulations sections 1.263(a)-4, 1.263(a)-5, and 1.167(a)-3(b). Complete Schedule E of Form 3115 for changes to a method of accounting provided in Regulations section 1.167(a)-3(b). See section 11.05 of Rev. Proc. 2022-14.
79	<b>REMIC inducement fees (sections 860A–860G)</b> —for an inducement fee received in connection with becoming the holder of a noneconomic residual interest in a REMIC, <b>to</b> a safe harbor method provided under Regulations section 1.446-6(e)(1) or (e) (2). See Rev. Proc. 2004-30, 2004-1 C.B. 950, and section 28.01 of Rev. Proc. 2022-14.
80	<b>All events test method for credit card annual fees (section 451)</b> —to a method that satisfies the all events test in accordance with Rev. Rul. 2004-52, 2004-1 C.B. 973. See section 16.05 of Rev. Proc. 2022-14.
81	<b>Ratable inclusion method for credit card annual fees (section 446)</b> —to the ratable inclusion method for credit card annual fees. See section 16.05 of Rev. Proc. 2022-14.
82	<b>Obsolete.</b>
83	<b>Full inclusion method for certain advance payments (section 451)</b> —to the full inclusion method, as described in section 5.01 of Rev. Proc. 2004-34, 2004-1 C.B. 991. The applicant must be using, or changing to, an overall accrual method of accounting. See section 16.06 of Rev. Proc. 2022-14. <b>Note.</b> This change may not be made for a year of change beginning on or after January 1, 2021. See, however, DCN 254.
84	<b>Deferral method for certain advance payments (section 451)</b> —to the deferral method as described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991 (except as provided in section 8.03 and 8.04(2) of Rev. Proc. 2004-34). The applicant must be using, or changing to, an overall accrual method of accounting. See section 16.06 of Rev. Proc. 2022-14. <b>Note.</b> This change may not be made for a year of change beginning on or after January 1, 2021. See, however, DCN 254.
85	<b>Film producer’s treatment of certain creative property costs (section 446)</b> —to account for creative property costs under the safe harbor method provided in Rev. Proc. 2004-36, 2004-1 C.B. 1063. See section 15.05 of Rev. Proc. 2022-14.
86	<b>Timber fertilization costs (section 162)</b> —for costs incurred by a timber grower for the post-establishment fertilization of an established timber stand, <b>to</b> treat such costs as ordinary and necessary business expenses deductible under section 162. See section 3.04 of Rev. Proc. 2022-14.



List of DCNs	
No.	Change
87	<b>Change in general asset account treatment due to a change in the use of MACRS property (section 168)</b> —to the method of accounting provided in Regulations sections 1.168(i)-1(c)(2)(ii)(E) and 1.168(i)-1(h)(2) (as in effect before January 1, 2012) or to the method of accounting provided in Regulations section 1.168(i)-1(h)(2) to comply with the 2020 change in law to retroactively provide a 30-year recovery period under the alternative depreciation system in section 168(g) for certain residential rental property placed in service before 2018 and held by an electing real property trade or business. Complete Schedule E of Form 3115. Change is implemented on a modified cut-off basis. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See Regulations section 1.168(i)-1(l)(2)(ii) and section 6.04 of Rev. Proc. 2022-14.
88	<b>Change in method of accounting for depreciation due to a change in the use of MACRS property (section 168)</b> —to the method of accounting provided in Regulations section 1.168(i)-4 or to revoke the election provided in Regulations section 1.168(i)-4(d)(3)(ii) to disregard a change in use of MACRS property. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See Regulations section 1.168(i)-4(g)(2) and section 6.05 of Rev. Proc. 2022-14. <b>Note.</b> The applicant is required to calculate a section 481(a) adjustment as of the first day of the year of change as if the proposed method of accounting had always been used by the taxpayer beginning with the tax year in which the change in the use of the MACRS property occurred by the applicant.
89	<b>Depreciation of qualified non-personal-use vans and light trucks (section 280F)</b> —for certain vehicles placed in service before July 7, 2003, to a method of accounting in accordance with Regulations section 1.280F-6(f)(2)(iv). Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See Regulations section 1.280F-6(f)(2)(iv) and section 6.06 of Rev. Proc. 2022-14.
90	<b>Insurance companies' incentive payments to health care providers (section 446)</b> —for deducting provider incentive payments, to the method of including those payments in discounted unpaid losses without regard to section 404. See section 15.06 of Rev. Proc. 2022-14.
91	<b>Up-front network upgrade payments received by utilities (section 61)</b> —to a safe harbor method provided in Rev. Proc. 2005-35, 2005-2 C.B. 76. See section 1.01 of Rev. Proc. 2022-14.
92	<b>Allocation of environmental remediation costs to production (section 263A)</b> —to a method that allocates under section 263A environmental remediation costs to the inventory produced during the tax year such costs are incurred. See Rev. Rul. 2005-42, 2005-2 C.B. 67, and section 12.05 of Rev. Proc. 2022-14.
94	<b>Obsolete.</b>
96	<b>Replacement cost method for heavy equipment dealers' parts inventory (sections 471 and 472)</b> —to the replacement cost method for heavy equipment dealers' parts inventory described in Rev. Proc. 2006-14, 2006-1 C.B. 350. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.07 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
106	<b>Timing of incurring certain liabilities for services or insurance (section 461)</b> —for an applicant that is currently treating the mere execution of a contract for services or insurance as establishing the fact of the liability under section 461 and wants to change from that method for liabilities for services or insurance to comply with Rev. Rul. 2007-3, 2007-1 C.B. 350. See section 20.06 of Rev. Proc. 2022-14.
107	<b>Impermissible to permissible method of accounting for depreciation or amortization for disposed depreciable or amortizable property (sections 167, 168, or 197; or former sections 168, 1400I, 1400L(b), 1400L(c), or 1400N(d))</b> —for an item of certain depreciable or amortizable property that has been disposed of by the applicant and for which the applicant did not take into account any depreciation allowance or did take into account some depreciation but less than the depreciation allowable, from using an impermissible method of accounting for depreciation to using a permissible method of accounting for depreciation. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.07 of Rev. Proc. 2022-14.
108	<b>Change by bank for uncollected interest (section 446)</b> —for a bank (as defined in Regulations section 1.166-2(d)(4)(i)) that uses an accrual method of accounting; is subject to supervision by federal authorities, or by state authorities maintaining substantially equivalent standards; and has 6 or more years of collection experience to change to the safe harbor method of accounting for uncollected interest (other than interest described in Regulations section 1.446-2(a)(2)) set forth in section 4 of Rev. Proc. 2007-33, 2007-1 C.B. 1289. See section 15.07 of Rev. Proc. 2022-14.
109	<b>Rotable spare parts (section 263(a))</b> —for an applicant that maintains a pool or pools of rotatable spare parts that are primarily used to repair customer-owned (or customer-leased) equipment under warranty or maintenance agreements to the safe harbor method provided in Rev. Proc. 2007-48, 2007-2 C.B. 110. Complete Schedule E of Form 3115. See section 11.06 of Rev. Proc. 2022-14.
110	<b>Rotable spare parts (section 471)</b> —from the safe harbor method (or a similar method) of treating rotatable spare parts as depreciable assets, in accordance with Rev. Proc. 2007-48, 2007-2 C.B. 110, to treating rotatable spare parts as inventoriable items. See section 22.08 of Rev. Proc. 2022-14.

List of DCNs	
No.	Change
111	<b>Advance Trade Discount Method (section 471)</b> —for an accrual method applicant required to use an inventory method of accounting and maintaining inventories, as provided in section 471, that receives advance trade discounts <b>to</b> the Advance Trade Discount Method described in Rev. Proc. 2007-53, 2007-2 C.B. 233. See section 22.09 of Rev. Proc. 2022-14.
112	<b>Changes to the Vehicle-Pool Method (section 472)</b> —for a retail dealer or wholesaler distributor (reseller) of cars and light-duty trucks to the Vehicle-Pool Method as described in Rev. Proc. 2008-23, 2008-1 C.B. 664. See section 23.08 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
113	<b>Payroll tax liabilities (section 461)</b> —for an accrual method applicant that wants to change its method for FICA and FUTA taxes <b>to</b> the safe harbor method provided in Rev. Proc. 2008-25, 2008-1 C.B. 686, which provides that, solely for the purposes of the recurring item exception, an applicant will be treated as satisfying the requirement in Regulations section 1.461-5(b)(1)(i) for its payroll tax liability in the same tax year in which all events have occurred that establish the fact of the related compensation liability and the amount of the related compensation liability can be determined with reasonable accuracy. See section 20.04 of Rev. Proc. 2022-14.
114	<b>Rolling-average method of accounting for inventories (sections 471 and 472)</b> —for an applicant required to account for inventories under section 471 and that uses a rolling-average method to value inventories for financial accounting purposes <b>to</b> the same rolling-average method to value inventories for federal income tax purposes, in accordance with Rev. Proc. 2008-43, 2008-30 I.R.B.186. See section 22.13 of Rev. Proc. 2022-14. <b>Note.</b> This change must be implemented on a cut-off basis unless the applicant's books and records contain sufficient information to compute a section 481(a) adjustment, in which case the applicant may choose to implement the change with a section 481(a) adjustment.
116	<b>Obsolete.</b> See DCN 7.
117	<b>Obsolete.</b> See DCN 205 or 206, as applicable.
119	<b>Obsolete.</b> See DCN 7.
121	<b>Repairable and reusable spare parts (section 263(a))</b> — <b>to</b> treat certain repairable and reusable spare parts as depreciable property in accordance with the holding in Rev. Rul. 69-200, 1969-1 C.B. 60, or Rev. Rul. 69-201, 1969-1 C.B. 60. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.07 of Rev. Proc. 2022-14.
122	<b>Overall accrual method change that is made other than (1) for the applicant's first section 448 year, (2) mandatory section 448 year, or (3) because taxpayer is subject to section 447 (section 446)</b> —for a qualifying applicant that makes a change for a year of change other than in its first section 448 year, mandatory section 448 year, or that is not subject to section 447, <b>from</b> the overall cash method <b>to</b> an overall accrual method. Complete Schedule A, Part I, of Form 3115. Also complete Schedule D, Parts II and III, as applicable. See section 15.01 of Rev. Proc. 2022-14. <b>Note.</b> See DCN 123 for a change in the first section 448 year, DCN 257 for a change made in mandatory section 448 year, or DCN 258 for change made as a result of applicant being subject to section 447.
123	<b>Change in overall method from the cash method to an accrual method for the first section 448 year (section 446)</b> —for an applicant that is required by section 448 to change <b>from</b> the overall cash method <b>to</b> an overall accrual method and the applicant qualifies to make the change under the automatic consent procedures of Regulations sections 1.448-1(g) and (h)(2) as well as Rev. Proc. 2015-13 for a year of change that is the applicant's first section 448 year. See Regulations sections 1.448-1(g) and (h)(2), and section 15.01 of Rev. Proc. 2022-14. <b>Note:</b> This change does not apply to tax years beginning on or after January 5, 2021.
124	<b>Change from the cash method to an accrual method for specific items (section 446)</b> —for a qualifying applicant using an overall accrual method and accounting for one or more identified specific items of income and expense on the cash method <b>to</b> an accrual method of accounting for the identified specific item or items. See section 15.08 of Rev. Proc. 2022-14.
125	<b>Multi-year service warranty contracts (section 446)</b> —for an eligible accrual method manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods that wants to change <b>to</b> the service warranty income method described in section 5 of Rev. Proc. 97-38, 1997-2 C.B. 479. See Rev. Proc. 97-38 and section 15.09 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis and also has a reduced Form 3115 filing requirement.
126	<b>Overall cash method for specified transportation industry taxpayers (section 446)</b> —for "specified transportation industry taxpayers," as defined in section 15.10(2) of Rev. Proc. 2022-14, with average annual gross receipts of more than \$10 million and not in excess of \$50 million <b>to</b> the overall cash method. See section 15.10 of Rev. Proc. 2022-14.
127	<b>Change to overall cash/hybrid method for certain banks (section 446)</b> —for an eligible bank, as defined in section 15.11(2)(a) of Rev. Proc. 2022-14, <b>to</b> an overall cash/hybrid method described in section 15.12(2)(b) of Rev. Proc. 2022-14. See section 15.11 of Rev. Proc. 2022-14.
128	<b>Change to overall cash method for farmers (section 446)</b> —for a qualifying applicant engaged in the trade or business of farming to the overall cash method. See section 15.12 of Rev. Proc. 2022-14. <b>Note.</b> For applicants changing from the crop method, that portion of the change is implemented using a cut-off basis. For applicants that wish to change to the cash method for all items of income and expense and an accrual method for purchases and sales of inventories, see DCN 259.

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No.	Change
129	<b>Nonshareholder contributions to capital under section 118 (section 446)</b> — <b>from</b> excluding from gross income under section 61 certain payments or the fair market value of property received (including customer connection fees received by a regulated public utility described in former section 118(c)), by characterizing the payments or the fair market value of property as nontaxable contributions to capital under section 118(c), <b>to</b> including the payments or the fair market value of property in gross income under section 61. This change also applies to a regulated public utility described in former section 118(c) that changes <b>from</b> including in gross income under section 61 payments or the fair market value of property received that are contributions in aid of construction under former section 118(c) and Regulations section 1.118-2 and that meet the requirements of former sections 118(c)(1)(B) and 118(c)(1)(C) <b>to</b> excluding from income the payments or the fair market value of the property as nontaxable contributions to capital under section 118(a). See section 15.13 of Rev. Proc. 2022-14. <b>Note.</b> The change described in section 15.13(1)(a)(ii) of Rev. Proc. 2022-14 does not apply to contributions made after December 22, 2017.
130	<b>Retainages not received under long-term contracts (section 451)</b> —for an accrual method applicant’s retainages under section 451 <b>to</b> a method consistent with the holding in Rev. Rul. 69-314, 1969-1 C.B. 139. This change does not apply to retainages under long-term contracts as defined in section 460(f). An applicant changing its method of accounting under this section must treat all retainages (receivables and payables) in the same manner. See section 16.07 of Rev. Proc. 2022-14.
131	<b>Series E, EE, or I U.S. savings bonds (section 454)</b> —for a cash method taxpayer changing the taxpayer’s method of accounting for interest income on series E, EE, or I U.S. savings bonds <b>from</b> reporting as interest income the increase in redemption price on a bond occurring in a tax year <b>to</b> reporting this income in the tax year in which the bond is redeemed, disposed of, or finally matures, whichever is earliest. A statement in lieu of a Form 3115 is authorized for this change. See section 17.01 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
132	<b>Prepaid subscription income (section 455)</b> —for an accrual method applicant changing its method of accounting for prepaid subscription income <b>to</b> the method described in section 455 and the related regulations, including an eligible applicant that wants to make the “within 12 months” election under Regulations section 1.455-2. A statement in lieu of a Form 3115 is authorized for this change. See section 18.01 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
133	<b>Timing of incurring liabilities for bonuses (section 461)</b> — <b>to</b> treat bonuses as incurred in the tax year in which all events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy. See section 20.01(2) of Rev. Proc. 2022-14.
134	<b>Timing of incurring liabilities for vacation pay, sick pay, and severance pay (section 461)</b> — <b>to</b> treat vacation pay, sick pay, and severance pay as incurred in the tax year in which all events have occurred that establish the fact of the liability to pay vacation pay, sick pay, and severance pay, and the amount of the liability can be determined with reasonable accuracy. The applicant may make this change if the vacation pay, sick pay, and severance pay vests in that tax year and the vacation pay, sick pay, and severance pay is received by the employee by the 15th day of the 3rd calendar month after the end of that tax year. See section 20.01(3) of Rev. Proc. 2022-14.
135	<b>Rebates and allowances (section 461)</b> —for an accrual method applicant’s liability for rebates and allowances <b>to</b> the recurring item exception method under section 461(h)(3) and Regulations section 1.461-5. See section 20.07 of Rev. Proc. 2022-14.
136	<b>Change from an improper method of inclusion of rental income or expense to inclusion in accordance with the rent allocation (section 467)</b> —for an applicant that is a party to a section 467 rental agreement and is changing its method for its fixed rent <b>to</b> the rent allocation method provided in Regulations section 1.467-1(d)(2)(iii). See section 21.01 of Rev. Proc. 2022-14. <b>Note.</b> This change only receives limited audit protection.
137	<b>Permissible methods of identification and valuation of inventories (section 471)</b> —for an applicant changing from one permissible method of identifying and valuing inventories <b>to</b> another permissible method of identifying and valuing inventories. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.10 of Rev. Proc. 2022-14.
138	<b>Change in the official used vehicle guide utilized in valuing used vehicles (section 471)</b> —for a used vehicle dealer <b>from</b> not using an official used vehicle guide for valuing used vehicles <b>to</b> using an official used vehicle guide for valuing used vehicles; or <b>from</b> using an official used vehicle guide for valuing used vehicles <b>to</b> using a different official used vehicle guide for valuing used vehicles. See section 22.11 of Rev. Proc. 2022-14.
139	<b>Invoiced advertising association costs for new vehicle retail dealerships (section 471)</b> —for an applicant engaged in the trade or business of retail sales of new automobiles or new light-duty trucks (dealership) <b>from</b> capitalizing certain advertising costs as acquisition costs under Regulations section 1.471-3(b) <b>to</b> deducting the advertising costs under section 162 as the advertising services are provided to the dealership. See Regulations section 1.461-4(d)(2)(i), and section 22.12 of Rev. Proc. 2022-14.



List of DCNs	
No.	Change
140	<b>Changes within the Used Vehicle Alternative LIFO Method (section 472)</b> —for a taxpayer using the Used Vehicle Alternative LIFO Method, as described in Rev. Proc. 2001-23, 2001-1 C.B. 784, as modified by Announcement 2004-16, 2004-1 C.B. 668, and Rev. Proc. 2008-23, 2008-1 C.B. 664, <b>to</b> use a different “official used vehicle guide” in conjunction with the Used Vehicle Alternative LIFO Method, or <b>to</b> a different precise manner of using an official used vehicle guide (for example, a change in the specific guide category that an applicant uses to represent vehicles of average condition for purposes of section 4.02(5)(a) of Rev. Proc. 2001-23). See section 23.09 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
141	<b>Changes to dollar-value pools of manufacturers (section 472)</b> —for a manufacturer that purchases goods for resale (resale goods) and thus must reassign resale goods from the pool(s) it maintains for the goods it manufactures to one or more resale pools, and the manufacturer wants to change <b>from</b> using multiple pools described in Regulations section 1.472-8(b)(3) <b>to</b> using natural business unit (NBU) pools described in Regulations section 1.472-8(b)(1), or vice versa; or wants to reassign items in NBU pools described in Regulations section 1.472-8(b)(1) into the same number or a greater number of NBU pools. See section 23.10 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
145	<b>Tenant construction allowances (section 168)</b> —for an applicant changing from improperly treating the applicant as having a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes <b>to</b> properly treating the applicant as not having a depreciable interest in such property for federal income tax purposes; or <b>from</b> improperly treating the applicant as not having a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes <b>to</b> properly treating the applicant as having a depreciable interest in such property for federal income tax purposes. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.08 of Rev. Proc. 2022-14.
146	<b>Obsolete.</b> See DCN 205.
147	<b>Obsolete.</b> See DCN 206.
148	<b>Debt issuance costs (section 446)</b> —for an applicant changing its method of accounting <b>to</b> comply with Regulations section 1.446-5, which provides rules for allocating the costs over the term of the debt. See section 15.14 of Rev. Proc. 2022-14.
149	<b>Ratable accrual of real property taxes (section 461)</b> —for an accrual method applicant for real property taxes that relate to a definite period of time <b>to</b> the method described in section 461(c) and section 1.461-1(c)(1) (ratable accrual election) for a tax year other than the applicant’s first tax year in which real property taxes are incurred. See section 20.08 of Rev. Proc. 2022-14. <b>Note.</b> This change has a reduced Form 3115 filing requirement.
150	<b>Retail sales facility safe harbor for a motor vehicle dealership (section 263A)</b> —for a motor vehicle dealership <b>to</b> treat its sales facility as a retail sales facility as described in section 5.01 of Rev. Proc. 2010-44, 2010-49 I.R.B. 811. See section 12.06 of Rev. Proc. 2022-14.
151	<b>Reseller without production activities safe harbor for a motor vehicle dealership (section 263A)</b> —for a motor vehicle dealership <b>to</b> be treated as a reseller without production activities as described in section 5.02 of Rev. Proc. 2010-44, 2010-49 I.R.B. 811. See section 12.06 of Rev. Proc. 2022-14.
152	<b>Deduction for energy efficient commercial buildings (section 179D)</b> —for an applicant to change its method of accounting to deduct under section 179D amounts paid or incurred for the installation of energy efficient commercial building property, subject to the limits of section 179D(b), in the year the property is placed in service. See Rev. Proc. 2012-39, 2012-2 C.B. 470, and section 8.01 of Rev. Proc. 2022-14. <b>Note.</b> This change does not receive audit protection.
153	<b>Certain revenue recognition methods of accounting—change in applicable financial statements (AFS) (section 451)</b> — for an applicant with an AFS (1) using the deferral method for including advance payments in gross income in accordance with its AFS to change its method <b>to</b> recognize advance payments in gross income consistent with a changed manner for recognizing advance payments for its AFS; or (2) that includes amounts in income in accordance with Regulations section 1.451-3 that has a change in the manner in which the item, or portion of it, is taken into account as AFS revenue or has a change in transaction price allocation to performance allocations <b>to</b> use the new AFS method for purposes of Regulations section 1.451-3(b)(1) or (d), as applicable. The requirement in section 6.03(3)(a) of Rev. Proc. 2015-13 to provide an additional copy of the application to the examining agent(s), appeals officer(s), and counsel to the government, if applicable, applies to this application. A statement in lieu of a Form 3115 is authorized for this change. See section 16.08 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis or with a section 481(a) adjustment depending on the change being made and does not receive audit protection. This change does not apply to method changes relating to Rev. Proc. 2004-34, section 451(b), Proposed Regulations section 1.451-3, and Proposed Regulations section 1.451-8 for tax years beginning on or after January 1, 2021.
154	<b>California franchise taxes (Rev. Rul. 2003-90)</b> —for an accrual method applicant changing <b>to</b> recognizing its California franchise tax liability in the tax year following the tax year in which the tax is incurred under the Cal. Rev. & Tax Code. See section 20.09 of Rev. Proc. 2022-14.
155	<b>Unearned premiums (section 833)</b> —for a Blue Cross or Blue Shield organization within the meaning of section 833(c)(2) or an organization described in section 833(c)(3) required to change its method of accounting for unearned premiums because it fails to meet or meets anew the MLR requirements of section 833(c)(5). See section 26.02 of Rev. Proc. 2022-14.

List of DCNs	
No.	Change
156	<b>Gift cards issued as a refund (Rev. Proc. 2011-17)</b> —for an accrual method applicant who issues gift cards as a refund for returned goods changing <b>to</b> treat the transaction as the payment of a cash refund and sale of a gift card in the amount of the gift card, as provided in Rev. Proc. 2011-17, 2011-5 I.R.B. 441. See section 20.10 of Rev. Proc. 2022-14.
157	<b>Classification of wireless telecommunications assets used by wireless telecommunications carriers (sections 167 and 168)</b> —for applicants that have a depreciable interest in wireless telecommunications assets (as defined in Rev. Proc. 2011-22, 2011-8 I.R.B. 737) used primarily to provide wireless telecommunications or broadband services by mobile phones that are changing <b>to</b> the method described in Rev. Proc. 2011-22 to determine the recovery periods for depreciation of certain tangible assets used by wireless telecommunications carriers. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See Rev. Proc. 2011-22 and section 6.09 of Rev. Proc. 2022-14.
158	<b>Wireline network property (section 263(a))</b> —for certain applicants that have a depreciable interest in wireline network assets (as described in section 4 of Rev. Proc. 2011-27, 2011-8 I.R.B. 740) used primarily to provide wireline telecommunications or broadband services that are changing <b>to</b> (a) the wireline network assets maintenance allowance method described in section 5 of Rev. Proc. 2011-27; or (b) the adoption of all, or some, of the units of property described in section 6 of Rev. Proc. 2011-27, to determine whether expenditures to maintain, replace, or improve wireline network assets must be capitalized under section 263(a). See section 3.07 of Rev. Proc. 2022-14.
159	<b>Wireless network property (section 263(a))</b> —for certain applicants that have a depreciable interest in wireless network assets (as described in section 4 of Rev. Proc. 2011-28, 2011-8 I.R.B. 743) used primarily to provide wireless telecommunications or broadband services by mobile phones that are changing <b>to</b> (a) the wireless network asset maintenance allowance method described in section 5 of Rev. Proc. 2011-28, or (b) the adoption of all, or some, of the units of property described in section 6 of Rev. Proc. 2011-28, to determine whether expenditures to maintain, replace, or improve wireless network assets must be capitalized under section 263(a). See section 3.08 of Rev. Proc. 2022-14.
160	<b>Electric transmission and distribution property (section 263(a))</b> —for certain applicants that have a depreciable interest in electric transmission or distribution property (as described in section 4 of Rev. Proc. 2011-43, 2011-37 I.R.B. 326) used primarily to transport, deliver, or sell electricity that are changing <b>to</b> the method described in Rev. Proc. 2011-43, to determine whether expenditures incurred to maintain, replace, or improve transmission and distribution property are deductible repairs under section 162 or capitalizable improvements under section 263(a). See section 3.09 of Rev. Proc. 2022-14.
161	<b>Timing of incurring liabilities under the recurring item exception to the economic performance rules (section 461(h)(3))</b> —for an applicant changing <b>to</b> a method of accounting to conform to any of the holdings in Rev. Rul. 2012-1, 2012-2 I.R.B. 255, which addresses the “not material” and “better matching” requirements of the recurring item exception and distinguishes contracts for the provision of services from insurance and warranty contracts. See section 20.11 of Rev. Proc. 2022-14.
175	<b>Obsolete.</b> See DCN 199.
176	<b>Obsolete.</b> See DCN 200.
177	<b>Obsolete.</b> See DCN 205.
178	<b>Obsolete.</b> See DCN 206.
179	<b>Obsolete.</b> See DCN 207.
181	<b>Plants removed from the list of plants that have a preproductive period in excess of 2 years (section 263A)</b> —for an applicant that is not a corporation, partnership, or tax shelter required to use an accrual method of accounting and either is changing <b>to</b> not applying section 263A to the production of a plant or plants that have been removed from the list of plants with a nationwide weighted average preproductive period in excess of 2 years, <b>or</b> is revoking its section 263A(d)(3) election <b>to</b> not apply section 263A to the production of a plant or plants that have been removed from the list of plants with a nationwide weighted average preproductive period in excess of 2 years. See Rev. Proc. 2013-20 and section 12.07 of Rev. Proc. 2022-14.
182	<b>Steam or electric power generation property (section 263(a))</b> —for an applicant changing its method of accounting for its treatment of expenditures on generation property (as defined in section 4.01 of Rev. Proc. 2013-24, 2013-22 I.R.B. 1142) <b>to</b> use all or some of the unit of property definitions and the corresponding major component definitions described in Appendix A of Rev. Proc. 2013-24, to determine whether expenditures to maintain, replace, or improve generation property must be capitalized under section 263(a). See section 3.10 of Rev. Proc. 2022-14.
183	<b>Change to proportional method of accounting for OID on a pool of credit card receivables (section 1272(a)(6))</b> —for an eligible taxpayer that wants to change to the proportional method of accounting for original issue discount (OID) on a pool of credit card receivables, as described in Rev. Proc. 2013-26, 2013-22 I.R.B. 1160, as modified by Rev. Proc. 2021-35, 2021-35 I.R.B. 355. See section 30.02 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.

List of DCNs	
No.	Change
184	<b>Deducting repair and maintenance costs or capitalizing improvement costs (sections 162 and 263(a))</b> —for an applicant changing to deducting amounts paid or incurred for repair and maintenance costs under section 162 and Regulations section 1.162-4 or changing to capitalizing amounts paid or incurred for improvements to tangible property and, if depreciable, to depreciating such property under section 167 or 168. Includes a change by an applicant in the method of identifying units of property under Regulations section 1.263(a)-3(e) for purposes of determining whether amounts paid or incurred improve a unit of property under Regulations section 1.263(a)-3. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
185	<b>Change to the regulatory accounting method (section 162)</b> —for a regulated applicant changing its method of accounting for amounts paid or incurred to repair or maintain tangible property to follow its method of accounting for regulatory accounting purposes to determine whether an amount paid or incurred improves property under Regulations section 1.263(a)-3, consistent with Regulations section 1.263(a)-3(m). Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
186	<b>Deducting non-incidentals materials and supplies when used or consumed (section 162)</b> —for an applicant changing its method of accounting for non-incidentals materials and supplies to the method of deducting such amounts in the tax year in which they are actually used or consumed, consistent with Regulations section 1.162-3. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
187	<b>Deducting incidental materials and supplies when paid or incurred (section 162)</b> —for an applicant that wants to change its method of accounting for incidental materials and supplies to the method of deducting such amounts in the tax year in which they are paid or incurred, consistent with Regulations section 1.162-3. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
188	<b>Deducting non-incidentals rotatable and temporary spare parts when disposed (section 162)</b> —for an applicant changing its method of accounting for costs to acquire or produce non-incidentals rotatable and temporary spare parts to the method of deducting such costs in the tax year in which the taxpayer disposes of the parts, consistent with Regulations section 1.162-3. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
189	<b>Change to the optional method for rotatable and temporary spare parts (section 162)</b> —for an applicant changing its method of accounting for rotatable and temporary spare parts to the optional method of accounting for rotatable and temporary spare parts (described in Regulations section 1.162-3(e)), consistent with Regulations section 1.162-3. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
190	<b>Deducting dealer expenses that facilitate the sale of property (section 162)</b> —for an applicant that is a dealer in property changing its method of accounting for commissions and other costs paid or incurred to facilitate the sale of tangible property to the method of treating such costs as ordinary and necessary business expenses, consistent with Regulations section 1.263(a)-1(e)(2). Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
191	<b>Non-dealer expense to facilitate the sale of property (section 263(a))</b> —for an applicant that is not a dealer in property changing its method of accounting for commissions and other costs paid or incurred to facilitate the sale of property to the method of capitalizing such costs, consistent with Regulations section 1.263(a)-1(e)(1). Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
192	<b>Capitalizing acquisition or production costs (section 263(a))</b> —for an applicant changing its method of accounting to capitalizing amounts paid or incurred to acquire or produce property under Regulations section 1.263(a)-2 and, if depreciable, to depreciating such property under section 167 or 168. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
193	<b>Deducting certain costs for investigating or pursuing the acquisition of property (section 162)</b> —for an applicant changing its method of accounting from capitalizing to deducting amounts paid or incurred in the process of investigating or otherwise pursuing (a) the acquisition of real property if the amounts meet the requirements of Regulations section 1.263(a)-2(f)(2)(iii); or (b) the acquisition of real or personal property if the amounts are for employee compensation or overhead costs under Regulations section 1.263(a)-2(f)(2)(iv), consistent with Regulations section 1.263(a)-2. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.08 of Rev. Proc. 2022-14.
194	<b>Change to a reasonable allocation method for self-constructed assets (section 263A)</b> —for a producer or a reseller-producer to a reasonable allocation method under Regulations section 1.263A-1(f)(4) for self-constructed assets or from not capitalizing a cost subject to section 263A to capitalizing that cost under a reasonable allocation method under Regulations section 1.263A-1(f)(4) that the producer or reseller-producer is already using for self-constructed assets. See section 12.08 of Rev. Proc. 2022-14.



List of DCNs	
No.	Change
195	<b>Real property acquired through foreclosure (section 263A)</b> —for an applicant that capitalizes costs under section 263A(b)(2) and Regulations section 1.263A-3(a)(1) to real property acquired through foreclosure, or similar transaction, <b>to</b> an otherwise permissible method of accounting under which the acquisition and holding costs for real property acquired through foreclosure, or similar transaction, are not capitalized under section 263A(b)(2) and Regulations section 1.263A-3(a)(1). See section 12.09 of Rev. Proc. 2022-14.
196	<b>Obsolete.</b>
197	<b>Obsolete.</b>
198	<b>Partial dispositions of tangible depreciable asset to which the IRS's adjustment pertains (section 168)</b> —for MACRS property for which the applicant is making a partial disposition election under Regulations section 1.168(i)-8(d)(2)(iii) to the disposition of a portion of the asset to which the IRS's adjustment pertains (as described in Regulations section 1.168(i)-8(d)(2)(iii)). Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.10 of Rev. Proc. 2022-14.
199	<b>Depreciation of leasehold improvements (sections 167, 168, and 197)</b> —for leasehold improvements in which the applicant has a depreciable interest at the beginning of the year of change, <b>from</b> improperly depreciating or amortizing these leasehold improvements over the term of the lease (including renewals, if applicable) <b>to</b> properly depreciating or amortizing these leasehold improvements under section 167(f)(1), 168, or 197, as applicable. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.11 of Rev. Proc. 2022-14.
200	<b>Depreciation of MACRS property (permissible to permissible) (section 168)</b> —for MACRS property, <b>from</b> a permissible method <b>to</b> another permissible method listed in section 6.12(3) of Rev. Proc. 2022-14. Certain changes are made on a modified cut-off basis or a cut-off basis. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.12 of Rev. Proc. 2022-14.
201	<b>Sales-based royalties (section 263A)</b> —for sales-based royalties (as described in Regulations section 1.263A-1(e)(3)(ii)(U)(2)) properly allocable to inventory property for which the applicant is making a change listed in section 12.10(1) of Rev. Proc. 2022-14. See Rev. Proc. 2014-33 and section 12.10 of Rev. Proc. 2022-14.
202	<b>Sales-based vendor chargebacks under a simplified method (section 263A)</b> —for an applicant changing its method of accounting to no longer include cost adjustments for sales-based vendor chargebacks (as described in Regulations section 1.471-3(e)(1)) in the formulas used to allocate additional section 263A costs to ending inventory under a simplified method. See Rev. Proc. 2014-33 and section 12.11 of Rev. Proc. 2022-14.
203	<b>Sales-based vendor chargebacks (section 471)</b> —for an applicant changing its method of accounting to treat sales-based vendor chargebacks as a reduction in cost of goods sold in accordance with Regulations section 1.471-3(e)(1). See Rev. Proc. 2014-33 and section 22.14 of Rev. Proc. 2022-14.
204	<b>Retail inventory method (section 471)</b> —for an applicant using the retail inventory method, a change <b>to</b> (a) not adjusting the numerator of the cost complement for an allowance, discount, or price rebate required by Regulations section 1.471-3(e) to reduce only cost of goods sold; (b) not adjusting the denominator of the cost complement for temporary markups and markdowns; (c) computing the cost complement using a method described in Regulations section 1.471-8(b)(3) (including changes from a method described in section 1.471-8(b)(3) to another method described in that section) for a retail LCM applicant; or (d) adjusting the denominator of the cost complement for permanent markups and markdowns for a retail cost applicant. See section 22.15 of Rev. Proc. 2022-14. <b>Note.</b> A taxpayer making any of these changes for its first or second tax year after December 31, 2014, may use either a section 481(a) adjustment or a cut-off basis to implement the change.
205	<b>Dispositions of a building or structural component (section 168)</b> —for MACRS property for which the applicant is making a change listed in section 6.13(3) of Rev. Proc. 2022-14 for disposing of a building or a structural component or disposing of a portion of a building (including its structural components) to which the partial disposition rule in Regulations section 1.168(i)-8(d)(1) applies. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.13 of Rev. Proc. 2022-14.
206	<b>Dispositions of tangible depreciable assets (other than a building or its structural components) (section 168)</b> —for MACRS property for which the applicant is making a change listed in section 6.14(3) of Rev. Proc. 2022-14 for disposing of section 1245 property or a depreciable land improvement <b>or</b> disposing of a portion of section 1245 property or a depreciable land improvement to which the partial disposition rule in Regulations section 1.168(i)-8(d)(1) applies. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.14 of Rev. Proc. 2022-14.
207	<b>Dispositions of tangible depreciable assets in a general asset account (section 168)</b> —for MACRS property for which the applicant is making a change listed in section 6.15(3) of Rev. Proc. 2022-14 for disposing of an asset subject to a general asset account election. Complete Schedule E of Form 3115. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 6.15 of Rev. Proc. 2022-14.

List of DCNs	
No.	Change
208	<b>Cable network asset maintenance allowance or unit of property method of accounting (section 263(a))</b> —for certain applicants that operate and have a depreciable interest in cable network assets used in a cable system that provides video, high speed internet, and VOIP phone services that are changing to (a) the network maintenance allowance method for cable network assets described in section 5 of Rev. Proc. 2015-12, 2015-2 I.R.B. 265; or (b) the adoption of all, or some, of the units of property described in section 6 of Rev. Proc. 2015-12, to determine whether expenditures to maintain, replace, or improve cable network assets must be capitalized under section 263(a). See section 3.11 of Rev. Proc. 2022-14.
209	<b>Cable network customer drops and labor costs associated with installing customer premise equipment (section 263(a))</b> —for certain applicants that operate cable systems and (a) are changing to the specific identification method described in section 7.01(1) of Rev. Proc. 2015-12, or the safe harbor allocation method described in section 7.01(2) of Rev. Proc. 2015-12 for determining whether customer drop costs (including installations) may be deducted under section 162 or must be capitalized under section 263(a), or (b) are changing to deducting labor costs associated with installing customer premise equipment under section 7.02 of Rev. Proc. 2015-12. See section 3.11 of Rev. Proc. 2022-14.
210	<b>Depreciation of fiber optic transfer node and fiber optic cable used by a cable system operator (section 168)</b> —for a cable system operator within the scope of Rev. Proc. 2015-12 that is changing to the safe harbor method of accounting in section 8.03 of Rev. Proc. 2015-12 for determining depreciation of a fiber optic transfer node and trunk line consisting of fiber optic cable used in a cable distribution network providing one-way and two-way communication services. See Rev. Proc. 2015-12 and section 6.17 of Rev. Proc. 2022-14.
211	<b>Bad debt conformity election by bank after previous election automatically revoked (section 166)</b> —for an eligible bank changing its method of accounting for bad debts by making the conformity election under Regulations section 1.166-2(d)(3)(iii)(C)(3). See section 4.02 of Rev. Proc. 2022-14.
212	<b>Change to comply with section 163(e)(3)</b> —for a taxpayer changing its method or methods of accounting to comply with the requirements of section 163(e)(3), which defers certain deductions attributable to OID debt instruments held by related foreign persons. Any portion of the OID will not be allowable as a deduction to the U.S. person issuer until paid. See section 5.02 of Rev. Proc. 2022-14.
213	<b>Railroad track structure expenditures (section 263(a))</b> —for a taxpayer changing its method of accounting for track structures to (a) the safe harbor method provided in Rev. Proc. 2002-65, 2002-2 C.B. 700; or (b) the safe harbor method provided in Rev. Proc. 2001-46, 2001-2 C.B. 263. See section 11.09 of Rev. Proc. 2022-14.
214	<b>U.S. ratio method (section 263A)</b> —for a foreign person (as defined in Notice 88-104, as modified by Notice 89-67) required to capitalize costs under section 263A that is changing its method of accounting to the U.S. ratio method (as described in Notice 88-104) or that currently uses the U.S. ratio method and is changing to the U.S. ratio method of a different applicable U.S. trade or business for applying the U.S. ratio method. See section 12.12 of Rev. Proc. 2022-14.
215	<b>Depletion (section 263A)</b> —for an applicant changing its method of accounting for depletion to treat these amounts as an indirect cost that is only properly allocable to property that has been sold under Regulations section 1.263A-1(e)(3)(ii)(J). See section 12.13 of Rev. Proc. 2022-14.
216	<b>Obsolete.</b>
217	<b>Retainages received under long-term contracts (section 451)</b> —for an accrual method applicant's retainages under section 451 to a method consistent with the holding in Rev. Rul. 69-314, 1969-1 C.B. 139. This change only applies to retainages under long-term contracts as defined in section 460(f) that are exempt construction contracts (as defined in Regulations section 1.460-3(b)(1)). An applicant changing its method of accounting under this section must treat all retainages (receivables and payables) in the same manner. See section 16.07 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.
218	<b>Change from the mark-to-market method of accounting to a realization method (section 475)</b> —for a taxpayer changing its method of accounting for securities or commodities from the mark-to-market method described in section 475 to a realization method of accounting (for example, by revoking an election under section 475(e), section 475(f)(1), or section 475(f)(2)). A notification statement must be filed earlier than the due date of the Form 3115. See section 24.02 of Rev. Proc. 2022-14. <b>Note.</b> This change is generally made with audit protection, but has conditions or limitations. This change is also implemented on a cut-off basis.
219	<b>Change in qualification as life/non-life insurance company (section 816)</b> —for a taxpayer changing its qualification under section 816(a) to move from a life insurance company taxable under Part I of subchapter L to a non-life insurance company taxable under Part II of subchapter L, or vice versa. See section 26.03 of Rev. Proc. 2022-14. <b>Note.</b> This change does not receive audit protection.
220	<b>Economic performance safe harbor for Ratable Service Contracts (section 461)</b> —for an accrual method taxpayer that wants to change its treatment of Ratable Service Contracts to conform to the safe harbor method provided by Rev. Proc. 2015-39, 2015-33 I.R.B. 197. See section 20.12 of Rev. Proc. 2022-14.
221	<b>Obsolete.</b>

List of DCNs	
No.	Change
222	<b>Remodel-refresh safe harbor method (section 263)</b> —for a qualified taxpayer changing <b>to</b> the remodel-refresh safe harbor method of accounting provided in section 5.02 of Rev. Proc. 2015-56 for its qualified costs, including the making of a late general asset account election as provided under section 5.02(6)(d) of Rev. Proc. 2015-56. Additionally, a qualified small taxpayer qualifies for a reduced Form 3115 filing requirement. See section 11.10 of Rev. Proc. 2022-14. <b>Note.</b> This change is generally made with audit protection, but has conditions or limitations. Certain changes are also implemented on a cut-off basis.
223	<b>Start-up expenditures (section 195)</b> — for an applicant changing its method of accounting under section 195 <b>to</b> change the characterization of an item as a start-up expenditure, the determination of the tax year in which the taxpayer begins the active trade or business to which the start-up expenditures relate, or the amortization period of a start-up expenditure to 180 months. See section 10.01 of Rev. Proc. 2022-14.
224	<b>Interest capitalization (section 263A)</b> —for an applicant changing its method of accounting for interest <b>from</b> not capitalizing any interest, capitalizing interest in accordance with its method of accounting for financial reporting purposes, or applying an improper method of capitalizing interest under Regulations sections 1.263A-8 through -14, with respect to the production of designated property, <b>to</b> capitalizing interest with respect to the production of designated property in accordance with Regulations sections 1.263A-8 through -14. See section 12.14 of Rev. Proc. 2022-14.
225	<b>Certain changes within the retail inventory method (section 471)</b> —for an applicant using the retail inventory method that wants to change <b>from</b> including <b>to</b> not including temporary markups and markdowns in determining the retail selling prices of goods on hand at the end of the tax year. See section 22.16 of Rev. Proc. 2022-14.
226	<b>Transfer of interties under the safe harbor described in Notice 2016-36 (section 118)</b> —for a utility changing <b>to</b> the safe harbor method of accounting provided in section III.C of Notice 2016-36 for the treatment under section 118 of a transfer of an intertie, including a dual-use intertie, by a generator to a utility, or for a utility using the safe harbor method of accounting provided in section III.C of Notice 2016-36 and is required to terminate that safe harbor method of accounting. See section 15.15 of Rev. Proc. 2022-14. <b>Note.</b> The change from using the safe harbor method of accounting provided in section III.C of Notice 2016-36 to terminating that safe harbor method of accounting is implemented on a cut-off basis.
227	<b>Change to or from the net asset value (NAV) method (section 446)</b> —for an applicant that holds shares in a money market fund (MMF) and that wants to change its method of accounting for gain or loss on the shares from a realization method to the NAV method described in Regulations section 1.446-7 or from the NAV method to a realization method. See section 15.16 of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis and also has a reduced Form 3115 filing requirement.
228	<b>Organizational expenditures under section 248 (section 248)</b> —for a corporation changing its method of accounting under section 248 <b>to</b> change the characterization of an item as an organizational expenditure, the determination of the tax year in which the corporation begins business to which the organizational expenditures relate, or the amortization period of an organizational expenditure to 180 months. See section 10.02 of Rev. Proc. 2022-14.
229	<b>Organization fees under section 709 (section 709)</b> —for a partnership changing its method of accounting under section 709 <b>to</b> change the characterization of an item as an organizational expense, the determination of the tax year in which the partnership begins business to which the organizational expenses relate, or the amortization period of an organizational expense to 180 months. See section 10.03 of Rev. Proc. 2022-14.
230	<b>Change from currently deducting inventories to permissible methods of identification and valuation of inventories (section 471)</b> —for an applicant changing <b>from</b> currently deducting inventories <b>to</b> a permissible method of identifying and valuing inventories. See section 22.17 of Rev. Proc. 2022-14.
231	<b>Changes in the timing of recognition of income due to the New Standards (section 451)</b> —for an applicant that wants to change its method of accounting for the recognition of income <b>to</b> a method under the new financial accounting standards jointly announced by the Financial Accounting Standards Board and the International Accounting Standards Board for (i) identifying performance obligations, (ii) allocating transaction price to performance obligations, and/or (iii) considering performance obligations satisfied. See section 16.09 of Rev. Proc. 2022-14. <b>Note.</b> A taxpayer making this change may implement the change with either a section 481(a) adjustment or on a cut-off basis. This change applies to a tax year beginning on or before May 10, 2022. An applicant that makes a New Standards change that also wants to comply with section 451(b) and Regulations section 1.451-3, and/or section 451(c) and Regulations section 1.451-8(a) or (c) must use section 16.06, 16.08, or 16.10 of Rev. Proc. 2022-14, as applicable.
232	<b>Change to not apply section 263A to replanting costs for lost or damaged citrus plants pursuant to section 263A(d)(2)(C)</b> —for certain applicants that currently capitalize costs of replanting citrus plants under section 263A(d)(2), <b>to</b> not applying section 263A to those costs under section 263A(d)(2)(C). Costs must be paid or incurred after December 22, 2017, and on or before December 22, 2027. See Rev. Proc. 2018-35, 2018-28 I.R.B. 204, and section 12.15 of Rev. Proc. 2022-14. <b>Note.</b> The section 481(a) adjustment is calculated by taking into account only amounts paid or incurred after December 22, 2017, and on or before December 22, 2027.
233	<b>Overall cash method for a small business taxpayer (section 446)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing <b>to</b> the overall cash method. Complete certain lines of Schedule A, Part I, of Form 3115. See section 15.17 of Rev. Proc. 2022-14.



List of DCNs	
No.	Change
234	<b>Uniform capitalization exception for a small business taxpayer (section 263A)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing <b>from</b> capitalizing costs under section 263A <b>to</b> no longer capitalizing costs under section 263A, including for self-constructed assets. See Rev. Proc. 2018-40 and section 12.16 of Rev. Proc. 2022-14.
235	<b>Inventory exception for a small business taxpayer (section 471)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing its accounting method for inventory items under section 471 <b>to</b> one of the following methods: (a) treating inventory as non-incidental materials and supplies (NIMS) under section 471(c)(1)(B)(i); (b) treating inventory as NIMS under Proposed Regulations section 1.471-1(b)(4); (c) a method that conforms to section 471(c)(1)(B)(ii) by using the taxpayer’s method of accounting reflected in its AFS, as defined in section 451(b)(3), with respect to the tax year, or if the taxpayer does not have an AFS for the tax year, the books and records of the taxpayer prepared in accordance with the taxpayer’s accounting procedures; or (d) the AFS section 471(c) method in Proposed Regulations section 1.471-1(b)(5), or if the taxpayer does not have an AFS for the tax year, the non-AFS section 471(c) method described in Proposed Regulations section 1.471-1(b)(6). See section 22.18 of Rev. Proc. 2022-14. <b>Note.</b> This change does not apply to tax years beginning on or after January 5, 2021. See, however, DCN 260 or 261 for tax years beginning on or after January 5, 2021.
236	<b>Long-term contract exception for small business taxpayer (section 460)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) (a) changing <b>from</b> the percentage-of-completion accounting method described in Regulations section 1.460-4(b) for exempt long-term construction contracts described in section 460(e)(1)(B) <b>to</b> an exempt contract accounting method described in section 1.460-4(c), or (b) with long-term home construction contracts defined in section 460(e)(1)(A) changing its accounting method <b>to</b> stop capitalizing costs under 263A. Complete Schedule D, Part I, of Form 3115. See section 19.01 of Rev. Proc. 2022-14. <b>Note.</b> A change to account for exempt long-term contracts under this change is made on a cut-off basis.
237	<b>Recharacterizing costs under the simplified resale method, the simplified production method, or the modified simplified production method</b> —for an applicant that uses or is changing <b>to</b> the simplified resale method, the simplified production method, or the modified simplified production method and wants to recharacterize a section 471 cost, as defined in section 1.263A-1(d)(2), as an additional section 263A cost, as defined in section 1.263A-1(d)(3), or vice versa. See section 12.17 of Rev. Proc. 2022-14.
238	<b>Revocation of a historic absorption ratio election</b> —for an applicant that either (a) uses the simplified resale method with historic absorption ratio election that wants to revoke its historic absorption ratio election and change to the simplified resale method without historic absorption ratio election, or (b) uses the simplified production method with historic absorption ratio election that wants to revoke its historic absorption ratio election and change to the simplified production method without historic absorption ratio election. This change applies to a taxpayer’s first, second, or third tax year ending on or after November 20, 2018. See section 12.18 of Rev. Proc. 2022-14.
239	<b>Obsolete.</b>
240	<b>Change in basis of computing reserves (section 807)</b> —for a life insurance company changing the basis of computing any item referred to in section 807(c), as described in section 807(f), or a non-life insurance company changing the basis of computing life insurance reserves. See section 26.04 of Rev. Proc. 2022-14.
241	<b>Late elections or revocation of elections under sections 168(k)(5), (k)(7), and (k)(10)</b> —for an applicant within the scope of Rev. Proc. 2019-33, 2019-34 I.R.B. 662, that wants to make a late election, or to revoke an election, provided in sections 4, 5, and 6 of Rev. Proc. 2019-33 under section 168(k)(5), (k)(7), or (k)(10). See section 6.18 of Rev. Proc. 2022-14.
242	<b>Changes in timing of income recognition under Proposed Regulations sections 1.451-3 and 1.451-8 (section 451)</b> —for an accrual method applicant with an applicable financial statement (AFS) that is changing <b>to</b> (a) a method of accounting under Proposed Regulations section 1.451-3, <b>or</b> (b) a method of accounting for advance payments under Proposed Regulations section 1.451-8(a) or (c). This change is also for an applicant without an AFS that is changing <b>to</b> a method of accounting for advance payments under Proposed Regulations section 1.451-8(a) or (d). <b>Note.</b> This change does not apply to tax years beginning after December 31, 2020. Some changes may be made on a cut-off basis. See section 16.10 of Rev. Proc. 2022-14.
243	<b>Late revocation of elections under section 263A(d)(3)</b> —for an eligible small business taxpayer that wants to make a late revocation election under section 263A(d)(3) as provided in section 5.02(2)(b) of Rev. Proc. 2020-13. See section 12.19 of Rev. Proc. 2022-14. <b>Note.</b> The change under section 12.19 of Rev. Proc. 2022-14 must be made for the taxpayer’s first, second, or third tax year beginning after the taxpayer’s first tax year beginning in 2018.
244	<b>Qualified improvement property placed in service after December 31, 2017 (section 168)</b> —for an applicant that wants to change from an impermissible to a permissible method of accounting for depreciation of any item of qualified improvement property, as defined in section 168(e)(6), that is placed in service by the taxpayer after December 31, 2017, and that is owned by the taxpayer at the beginning of the year of change. An applicant qualifies for a reduced filing requirement. See section 6.19 of Rev. Proc. 2022-14.

**List of DCNs**

No.	Change
245	<p><b>Certain late elections under sections 168 and 1502 or revocation of certain elections under section 168 (sections 168(g)(7), (k)(5), (k)(7), and (k)(10); and Regulations sections 1.168(k)-2 and 1.1502-68)</b>—for an applicant within the scope of section 4 of Rev. Proc. 2020-25, 2020-19 I.R.B. 785, as modified by section 8 of Rev. Proc. 2020-50, 2020-48 I.R.B. 1122, that wants to make a late election provided in section 4.02(2) of Rev. Proc. 2020-25 under section 168(g)(7), (k)(5), (k)(7), or (k)(10). This change also applies to an applicant within the scope of section 5 of Rev. Proc. 2020-25 that wants to revoke an election provided in section 5.02(2)(b) of Rev. Proc. 2020-25 under section 168(k)(5), (k)(7), or (k)(10). This change also applies to an applicant within the scope of section 5 of Rev. Proc. 2020-50 that wants to make a late election under section 168(k)(5), (k)(7), or (k)(10); Regulations section 1.168(k)-2(c) (component election); Regulations section 1.1502-68(c)(4) (designated transaction election); or Proposed Regulations section 1.168(k)-2(c) (proposed component election) as provided in section 5.02(2) of Rev. Proc. 2020-50. Finally, this change also applies to a taxpayer within the scope of section 6 of Rev. Proc. 2020-50 that wants to revoke an election under section 168(k)(5), (k)(7), or (k)(10); or a proposed component election as provided in section 6.02(2)(b) of Rev. Proc. 2020-50. An applicant qualifies for a reduced filing requirement. See section 6.20 of Rev. Proc. 2022-14.</p>
246	<p><b>Change in depreciation as a result of applying the additional first year depreciation regulations (section 168(k) and Regulations sections 1.168(k)-2 and 1.1502-68)</b>—This change applies to an applicant within the scope of section 4 of Rev. Proc. 2020-50, 2020-48 I.R.B. 1122, that wants to change its method of accounting for depreciation under section 168 from an impermissible method to a permissible method to comply with Regulations section 1.168(k)-2 or 1.1502-68, as applicable, for depreciable property and specified plants within the scope of section 4 of Rev. Proc. 2020-50. An applicant qualifies for a reduced filing requirement. See section 4.03 of Rev. Proc. 2020-50 and section 6.21(3) of Rev. Proc. 2022-14.</p>
247	<p><b>Change in depreciation as a result of applying the additional first year depreciation regulations (section 168(k) and Regulations sections 1.168(k)-2 and 1.1502-68)</b>—This change applies to an applicant within the scope of section 4 of Rev. Proc. 2020-50, 2020-48 I.R.B. 1122, that wants to change its method of accounting for depreciation under section 168 from a permissible method to another permissible method to comply with Regulations 1.168(k)-2 or 1.1502-68, as applicable, for depreciable property and specified plants within the scope of section 4 of Rev. Proc. 2020-50. An applicant qualifies for a reduced filing requirement. See section 4.04 of Rev. Proc. 2020-50 and section 6.21(4) of Rev. Proc. 2022-14. <b>Note.</b> This change is implemented on a cut-off basis.</p>
248	<p><b>Depreciation of tangible property under section 168(g) by CFCs</b>—for a CFC (as defined in section 957(a)) that seeks to change its method of accounting for depreciation of an item of property that is described in section 168(g)(1)(A) (except for property excluded from the application of section 168 as a result of section 168(f)) and owned by the CFC at the beginning of the year of change to the permissible depreciation method, convention, and recovery period prescribed under the alternative depreciation system in section 168(g) for such property in determining the CFC's gross and taxable income under section 1.952-2 as well as its earnings and profits under sections 964 and 986(b) and the regulations thereunder. This change is effective for a Form 3115 filed on or after May 11, 2021, for a tax year of a CFC ending before January 1, 2024. See section 6.22 of Rev. Proc. 2022-14.</p>
249	<p><b>Timing of incurring liabilities for commissions (section 461)</b>—for an accrual method applicant to treat commissions as incurred in the tax year in which all events have occurred that establish the fact of the liability to pay a commission and the amount of the liability can be determined with reasonable accuracy. <b>Note.</b> This change does not apply to an applicant that is required under section 263A to capitalize the costs with respect to which the applicant wants to change its method of accounting if the applicant is not capitalizing these costs, unless the applicant concurrently changes its method to capitalize these costs. See section 20.01(4) of Rev. Proc. 2022-14.</p>
250	<p><b>Changes in timing of income recognition related to Regulations section 1.451-3, other than cost offset (section 451)</b>—for an accrual method applicant with an applicable financial statement (AFS) to (a) change to comply with Regulations section 1.451-3(b) to determine the amount of gross income that is taken into account as AFS revenue by making the AFS revenue adjustments provided in Regulations sections 1.451-3(b)(2)(i) or (ii) (including a change for specified credit card fees under Regulations sections 1.451-3(j)(2) and 1.1275-2(l)), (b) change to comply with the transaction price allocation rules in Regulations section 1.451-3(d), or (c) change to a method described in Regulations section 1.451-3(h)(4) when an applicant's AFS covers mismatched reportable periods. <b>Note.</b> Some changes related to inventory sales may require netting of section 481(a) adjustments. A change to make the AFS revenue adjustments provided in Regulations sections 1.451-3(b)(2)(i) or (ii) applies only to tax years beginning before January 1, 2021, and to the applicant's first, second, or third tax year beginning after December 31, 2020. See section 16.10 of Rev. Proc. 2022-14.</p>
251	<p><b>Changes in timing of income recognition related to cost offset, except concurrent cost-offset related inventory method changes (section 451)</b>—for an accrual method applicant with an AFS to (a) apply or (b) not apply a cost offset method to determine the amount of an item of gross income from the sale of inventory that is required to be included in gross income under the AFS income inclusion rule in Regulations section 1.451-3(b). <b>Note.</b> An applicant that also needs to comply with Regulations section 1.451-3(c)(5)(ii) as a result of a concurrent cost-offset related inventory method may also need to make a change under DCN 255 for the same year of change. Some changes related to inventory sales may require netting of section 481(a) adjustments. See section 16.10 of Rev. Proc. 2022-14.</p>

List of DCNs	
No.	Change
252	<b>Changes in timing of income recognition related to the deferral method for advance payments (section 451)</b> —for an applicant with an AFS to change <b>to</b> (a) the deferral method provided in Regulations section 1.451-8(c), (b) the specified goods method described in Regulations section 1.451-8(f) when accounting for advance payments using the deferral method, (c) a method described in Regulations section 1.451-8(c)(7) when an applicant’s AFS covers mismatched reporting periods, <b>or</b> (d) comply with the payment allocation rules in Regulations section 1.451-8(c)(8). This change is also for applicants without an AFS to change <b>to</b> (a) the deferral method provided in Regulations section 1.451-8(d)(3), <b>or</b> (b) a payment allocation method described in Regulations section 1.451-8(d)(4)(ii). <b>Note.</b> Some changes related to inventory sales may require netting of section 481(a) adjustments. See section 16.10 of Rev. Proc. 2022-14.
253	<b>Changes in timing of income recognition related to advance payment cost offset, except concurrent cost-offset related inventory method changes (section 451)</b> —for an applicant with or without an AFS to change <b>to</b> (a) apply <b>or</b> (b) not apply an advance payment cost offset method to determine the amount of an advance payment from the sale of inventory that is required to be included in gross income under either the full inclusion method in Regulations section 1.451-8(b) or the deferral method in Regulations section 1.451-8(c), as applicable. <b>Note.</b> An applicant that also needs to comply with Regulations section 1.451-8(e)(8)(ii) as a result of a concurrent cost-offset related inventory method change may also need to make a change under DCN 255 for the same year of change. Some changes related to inventory sales may require netting of section 481(a) adjustments. See section 16.10 of Rev. Proc. 2022-14.
254	<b>Changes in timing of income recognition related to the full inclusion method (section 451)</b> —for an applicant to change <b>to</b> the full inclusion method provided in Regulations section 1.451-8(b) <b>or</b> , in the case of an applicant with an AFS, to change <b>to</b> the specified goods method described in Regulations section 1.451-8(f) when accounting for advance payments using the full inclusion method. <b>Note.</b> Some changes related to inventory sales may require netting of section 481(a) adjustments. See section 16.10 of Rev. Proc. 2022-14.
255	<b>Changes in timing of income recognition related to cost offsets resulting from concurrent cost-offset related inventory method changes (section 451)</b> —for an applicant with an AFS to change <b>to</b> comply with Regulations section 1.451-3(c)(5)(ii) or Regulations section 1.451-8(e)(8)(ii) as a result of a concurrent cost-offset related inventory method change or because the applicant determines its cost of goods in progress offset by reference to costs that the applicant has impermissibly capitalized and/or allocated under its present method of accounting. This change also applies to an applicant without an AFS to change <b>to</b> comply with Regulations section 1.451-8(e)(8)(ii) as a result of a concurrent cost-offset related inventory method change or because the applicant determines its cost of goods in progress offset by reference to costs that the applicant has impermissibly capitalized and/or allocated under its present method of accounting. <b>Note.</b> An applicant that makes more than one change under DCN 255 for the same year of change may be required to net the section 481(a) adjustments in certain circumstances. This change requires a section 481(a) adjustment spread period that mirrors a corresponding cost-offset related inventory method change. In very limited situations, this change may be made on an amended return. See section 16.10 of Rev. Proc. 2022-14.
256	<b>Timing of incurring inventory costs (section 461)</b> —for an accrual method applicant to change its method for one or more inventory costs <b>to</b> treat such costs as incurred in accordance with Regulations sections 1.461-1(a)(2) and 1.461-4(d)(4) if certain conditions are met. This change must be made for an applicant’s early application year, or, if the applicant does not apply Regulations section 1.451-3 and/or 1.451-8 for a tax year prior to January 1, 2021, for the applicant’s first tax year beginning on or after January 1, 2021. See section 20.13 of Rev. Proc. 2022-14.
257	<b>Change in overall method from the cash method to an accrual method for the mandatory section 448 year (section 446)</b> —for an applicant that is required by section 448 to change <b>from</b> the overall cash method <b>to</b> an overall accrual method in the applicant’s mandatory section 448 year. See section 15.01 of Rev. Proc. 2022-14.
258	<b>Change in overall method from the cash method to an accrual method for a taxpayer subject to section 447 (section 446)</b> —for an applicant subject to section 447 that is required by section 447 to change <b>from</b> the overall cash method <b>to</b> an overall accrual method. See section 15.01 of Rev. Proc. 2022-14.
259	<b>Accrual method for inventories, and the cash method for computing all other items of income and expense (section 446)</b> — for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing to an accounting method in which a small business taxpayer uses an accrual method for purchases and sales of inventories and uses the cash method for computing all other items of income and expense. Complete certain lines of Schedule A, Part I, of Form 3115. See section 15.17 of Rev. Proc. 2022-14
260	<b>Inventory exception for a small business taxpayer (section 471)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing its section 471 inventory method <b>to</b> the section 471(c) NIMS inventory method provided in Regulations section 1.471-1(b)(4). See section 22.18 of Rev. Proc. 2022-14.
261	<b>Inventory exception for a small business taxpayer (section 471)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing its accounting method for inventory items under section 471 <b>to</b> one of the following methods: (a) the AFS section 471(c) inventory method provided in Regulations section 1.471-1(b)(5), for taxpayers with an AFS, as defined in Regulations section 1.471(b)(5)(ii); or (b) the non-AFS section 471(c) inventory method provided in Regulations section 1.471-1(b)(6), for taxpayers that do not have an AFS. See section 22.18 of Rev. Proc. 2022-14.

**List of DCNs**

<b>No.</b>	<b>Change</b>
262	<b>Changes within a section 471(c) inventory method</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) making changes <b>within</b> a section 471(c) inventory method. See section 22.19 of Rev. Proc. 2022-14. <b>Note.</b> This change does not receive audit protection. Additionally, reduced Form 3115 filing requirements apply to this change.
263	<b>Change from a small business taxpayer section 471(c) inventory method to an inventory method under section 471(a)</b> —for a qualifying applicant with average annual gross receipts of \$25 million or less (adjusted for inflation) changing <b>from</b> using a small business taxpayer inventory method under section 471(c) inventory method <b>to</b> an inventory method under section 471(a). See section 22.20 of Rev. Proc. 2022-14.
264	<b>Certain late elections under sections 168(j)(3), 168(l)(3)(D), and 181(a)(1)</b> —for an applicant making a late election (1) not to apply section 168(j) for qualified Indian reservation property placed in service after December 31, 2017, for its 2018 or 2019 tax year; (2) not to apply section 168(l) for qualified second generation biofuel plant property placed in service after December 31, 2017, for its 2018 or 2019 tax year; or (3) to apply section 181 to the production costs for its 2018 or 2019 tax year of any qualified film, television, or live theatrical production, commenced by the taxpayer after December 31, 2017. See section 6.23 of Rev. Proc. 2022-14.
265	<b>Research and experimental expenditures (section 174)</b> —to charging specified research or experimental expenditures to capital account and amortizing such expenditures over a 5- or 15-year period, as applicable. See section 7.02 of Rev. Proc. 2022-14. <b>Note.</b> For specified research or experimental expenditures paid or incurred in the first tax year beginning after December 31, 2021, this change is implemented on a cut-off basis. For specified research or experimental expenditures paid or incurred in any year of change later than the first tax year beginning after December 31, 2021, this change is implemented with a modified section 481(a) adjustment. This change applies to amounts paid or incurred in tax years beginning after December 31, 2021. For amounts paid or incurred in tax years beginning before January 1, 2022, see DCN 17.



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You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Time Per Response**

Recordkeeping . . . . .	60 hours, 58 minutes
Learning . . . . .	17 hours, 25 minutes
Preparing . . . . .	21 hours, 3 minutes
Sending . . . . .	32 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can send your comments to: Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send Form 3115 to this address. Instead, see [When and Where To File](#), earlier.

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